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REPORT

OF THE

COMMITTEE ON TAKAVI LOANS AND COOPERATIVE CREDIT

सत्यमेव जयते

MINISTRY OF COMMUNITY DEVELOPMENT & COOPERATION
(DEPARTMENT OF COOPERATION)
GOVERNMENT OF INDIA
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We desire to place on record our profound grief at the premature and sudden demise of Shri T. Satyanarayana Rao, Chief Officer of the Reserve Bank of India and a member of our Committee. He brought to bear on the work of the Committee his wide experience in the field of agricultural credit, his mature judgement and above all his deep sympathy for the welfare of the rural population of India. By his premature death the cooperative movement has been deprived of an eminent worker who had an abiding faith in unostentatious work. His courtesy and social charm had endeared him to each one of us and we shall always cherish the memory of the days we spent with him.

B. P. PATEL

K. P. PANDE

V. KODANDARAMA REDDY

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CHAPTER I

INTRODUCTORY

1. *Appointment of the Committee*

In its meeting dated the 8th and 9th November, 1958, the National Development Council adopted a resolution on cooperative policy in which it was considered essential that by making takavi loans and other facilities available through cooperatives, conditions should be created in which every peasant and rural worker will find it to his advantage to join the village cooperative. The new policy was communicated by the Government of India to all State Governments in May 1959. While communicating the new policy the Government of India had suggested that, except in the case of distress takavi, all assistance to farmers should be channelled through cooperative organisations. While a few State Governments took steps to channel takavi loans through cooperatives in specific areas and/or for specific purposes, the progress by and large was not appreciable. It was felt that the various organisational, procedural ond administrative difficulties that came in the way of successful implementation of the policy called for careful consideration. Accordingly under notification No. F. 6-9/61-UT, dated the 26th July 1961 issued by the Department of Cooperation, the Government of India in the Ministry of Community Development and Cooperation, appointed a committee, with its headquarters at New Delhi, to examine the whole question and suggest suitable procedures for the implementation of the policy. The Committee consisted of the following members—

1. Shri B. P. Patel, Adviser (Programme Administration), Planning Commission—*Chairman*.
2. Shri B. D. Pande, Joint Secretary, Ministry of Community Development, Panchayati Raj & Cooperation—*Member*.
3. Shri G. D. Goswami, Joint Secretary, Ministry of Community Development, Panchayati Raj and Cooperation—*Member*.
4. Shri Y. N. Verma, Extension Commissioner, Ministry of Food and Agriculture (Department of Agriculture)—*Member*.
5. Shri Satish Chandra, Development Commissioner, Uttar Pradesh—*Member*.
6. Shri T. P. Singh, Development Commissioner, Bihar—*Member*.
7. Shri R. Tirumalai, Additional Secretary, Department of Industries, Labour and Cooperation, Government of Madras—*Member*.
8. Shri L. N. Bongirwar, Registrar of Cooperative Societies, Maharashtra State, Poona—*Member*.
9. Shri V. Kodandarama Reddy, President, Andhra Cooperative Central Land Mortgage Bank Ltd., Hyderabad—*Member*.
10. Shri K. P. Pande, Chairman, Madhya Pradesh State Cooperative Bank Ltd.—*Member*.

11. *Shri T. Satyanarayana Rao, Joint Chief Officer, Agriculture Credit Department, Reserve Bank of India—*Member*.
12. Shri B.S. Dhavle, Deputy Secretary, Ministry of Community Development, Panchayati Raj and Cooperation—*Member Secretary*.

2. *Terms of reference*

The Committee was required :—

(*a*) to examine the existing arrangements in different states for the supply of takavi loans to farmers;

(*b*) to suggest measures—organisational, procedural and administrative—as will ensure effective implemetation of the policy of routing takavi loans through cooperatives;

(*c*) to examine the adequacy of the institutional structure of cooperatives and to suggest changes, if any, for facilitating the supply of takavi loans through cooperatives; and

(*d*) to examine whether any guarantee or subsidy to cooperative institutions for undertaking the issue and recovery of takavi loans is necessary;

and make definite recommendations in this regard.

3. *Meetings*

The Committee held nine meetings as indicated below and signed the report in the meeting held on 31st August 1962 at New Delhi.

Meeting	Date	Place
1st Meeting ..	17th August 1961 ..	.. New Delhi.
2nd Meeting ..	4th October 1961 ..	.. New Delhi.
3rd Meeting ..	22nd October, 1961 ..	.. Bombay
4th Meeting ..	26th November, 1961	.. Ahmedabad.
5th Meeting ..	19th January 1962 ..	.. Hyderabad.
6th Meeting ..	10th April 1962 ..	.. New Delhi.
7th Meeting ..	28th and 29th June 1962	.. New Delhi.
8th Meeting ..	13th and 14th August 1962	.. New Delhi.
9th Meeting ..	31st August 1962 ..	.. New Delhi.

4. *Questionnaire*

For obtaining necessary information and eliciting the views of officials and non-officials, we issued questionnaires (appendix I) to : (*i*) Secretaries in charge of Cooperation (*ii*) Secretaries in charge of Finance (*iii*) Secretaries

* Shri T. S. Rao took over as Chief Officer, Agricultural Credit Department, Reserve Bank of India, soon after his appointment on the Committee. Subsequently on his sudden demise he was succeeded by Shri M. S. Menon, Deputy Chief Officer, Agricultural Credit Department, Reserve Bank of India on the Committee.

in charge of Agriculture, (*iv*) Development Commissioners, (*v*) Directors of Agriculture, (*vi*) Registrars of Cooperative Societies, (*vii*) State Cooperative Banks, and (*viii*) State Cooperative Land Mortgage Banks, and (*ix*) a few officials and non-officials mentioned in appendix II. While the entire questionnaire was sent to the officials of the State Governments parts I and II only were sent to cooperative institutions and others since part III related to factual data which the officials of the State Governments alone could furnish.

5. *Tours and interviews*

Our efforts to elicit information through correspondence were not very successful. We therefore visited all the States and held discussions with officials as well as non-officials. A list of officials and non-officials interviewed by us at different places is at appendix III. We also visited all the state cooperative banks and the state cooperative land mortgage banks in addition to visiting a few central cooperative banks, primary land mortgage banks and village societies given in the list at appendix IV.

6. *Pattern of report*

In Chapter II, we have summarised the observations and recommendations made by various committees and commissions on the question of channelling takavi loans through cooperatives. The present position of takavi loans and cooperative credit obtaining in the states has been discussed in Chapter III. In Chapter IV we have discussed the need and scope for channelling takavi loans through cooperatives. The specific problems involved in channelling takavi loans through cooperatives have been discussed in Chapter V—together with our recommendations. Our approach and broad conclusions have been indicated in Chapter VI.

7. *Acknowledgments*

7·1. We are indebted to all State Governments for their full cooperation during our visits and supply of information that we required. Our thanks are also due to the cooperative institutions and the cooperators, both officials and non-officials, who either through correspondence or personally gave the committee the benefit of their views on the various aspects of the subject under enquiry. We are, particularly thankful to the Chairman Shri B. Venkataratnam, Vice Chairman Yuvraj Udaybhanji and other office-bearers of the All India Central Land Mortgage Banks Cooperative Union Ltd. for their memorandum and frequent discussions with us, which helped us to a great extent in formulating our recommendations in so far as long-term loans are concerned.

7·2. We would like to place on record our high sense of appreciation of the industry and devotion with which Shri P. V. V. Iyer, Research Officer of N. C. D. & W. Board and Shri V.K. Balakrishnan, Assistant Director carried out the arduous secretariat work of collection and tabulation of the data and preparation of copious notes for our meetings.

7·3. The rest of us desire to express our warm appreciation of the ability and energy with which Member Secretary Shri B. S. Dhavle conducted the Committee's work and the valuable contribution that he made to our deliberations.

Chapter II

BACKGROUND

8. *Connotation of the term takavi*

The term 'Takavi' (in some parts of the country called 'Tagai') literally means strengthening corroborating or assisting, but by usage it has gained a special meaning. In the 'glossary of judicial and revenue terms and of useful words occurring in official documents', compiled in 1855 'takavi' has been defined as "advance of money made by government to cultivators at the time of sowing especially in the South of India where ryotwari settlement prevails, to be repaid when the crop is gathered; similar advances are made in bad seasons and the like or sometimes made to the cultivators to enable them to extend their cultivation". Apart from this, the term has not been defined in any of the Acts under which government loans are issued to agriculturists. In some States, the term is being used in a restricted sense, to cover distress loans as distinguished from other loans issued by government to agriculturists under normal conditions. We have, however, treated the term takavi as including all government loans issued to agriculturists for the purpose of improvement of land, production of crops and relief of distress in so far as the terms of reference are concerned.

9. *Origin of takavi loans*

Takavi loans date back to the pre-British era. The cultivators were often at the mercy of money lenders and suffered heavily under the impact of natural calamities, a fact which did not escape notice of the then Indian rulers. This led to the system of governmental advances to cultivators as an ameliorative measure. In this connection the observations of the Royal Commission on Agriculture are particularly relevant. The Commission observed—

> "In normal times, the village money lender seems to have met the normal needs, but in times of severe draught or widespread calamity, his resources proved unequal to the strain upon them, and long before the British acquired control, the rulers of the day were accustomed to grant loans to the cultivators of the soil."

10. *Legislative measures providing for takavi loans*

The British administrators continued the system of making advances to agriculturists. In 1793, various Regulations were issued providing for advances by government to cultivators for agricultural purposes. These Regulations were followed by a series of enactments such as the Northern India Takavi Act 1879 and the Land Improvement Act, 1871, which was amended by Act 21 of 1876. Ultimately they were replaced by the Land Improvement Loans Act of 1883 and the Agriculturists Loans Act of 1884. The Land Improvement Loans Act empowered local governments to issue loans for the purpose of making any improvement on land, to any person having a right to make that

improvement, or with the consent of that person to any other person. The Agriculturists' Loans Act empowered State Governments to make loans to owners and occupiers of arable land for the relief of distress, purchase of seed or cattle, or any other purpose connected with agricultural objects, but not specified in the Land Improvement Loans Act. Thus, local governments were empowered by the two acts to issue loans to cultivators for all purposes connected with agriculture and for the purpose of relief of distress. They were also empowered under these two Acts to frame rules for their administration. These two Acts are at present in operation in all the States except Kerala, Rajasthan and Jammu & Kashmir, where separate Acts, namely the Kerala Agriculturists Loans Act, 1961, Rajasthan Agricultural Loans Act and the Jammu & Kashmir Aid to Agriculturists and Land Improvements Act respectively are in operation.

11. *Introduction of cooperative agency in the field of agricultural finance*

11·1. In spite of the rapid growth of commerce and improvements in communications, in the latter half of the 19th century, the economic condition of the peasants did not improve. Their indebtedness increased, usury was still rampant, agricultural methods did not change and the old unsatisfactory features of a backward rural economy seemed destined to remain. This stagnation of the agricultural classes in the country attracted the attention of government and various remedial measures were tried for improving their lot; the provision of state loans under the Land Improvement Loans Act of 1883 and Agriculturists' Loans Act of 1884, being one of them. A few years later Madras government thought of introducing cooperation in India as an effective measure to improve the condition of agriculturists and deputed in 1892, one of its officers, Sir Frederick Nicholson to study the theory and practice of agricultural and other land banks in Europe and to suggest measures for building up such a movement in India. Sir Frederick Nicholson reported in 1895 that "the future of rural credit lies with those who being of the people, live among the people and yet by their intelligence, prescience and energy are above the people". After referring to the work done by reformers like Raiffeisen who introduced systems of popular credit in their countries he summed up his report in the two words "Find Raiffeisen". While the Nicholson report was under examination, Lord Curzon's government appointed a committee, under the chairmanship of Sir Edward Law to suggest measures for introducing cooperative movement in India. This Committee recommended that cooperative societies were worthy of every encouragement and a prolonged trial. It also reported on the legislation needed to secure for credit societies the privileges recommended and to provide for their due working and supervision. Based on these recommendations the Cooperative Credit Societies Act of 1904 was enacted and this marked the official introduction of the cooperative movement in India. This Act did not provide for the registration of central financing agencies or other forms of cooperatives. These defects were removed by the enactment of the Cooperative Societies Act of 1912.

11·2. The efficacy of the cooperative method in tackling the problems confronting agriculturists were thus officially recognised. In fact, it is the realisation on the part of government that any governmental measure such

as state loaning which does not involve the participation of the beneficiaries in the administration of the activity and in the risks arising therefrom would not make much headway in solving the problems confronting agriculturists, that prompted them to introduce the cooperative movement in India; a movement which aims at the material advancement of the people through pooling of their own resources and fostering self-reliance through united action.

12. *Takavi loans vis-a-vis cooperative loans*

12·1. With the introduction of the cooperative movement, the agriculturists could look to cooperative institutions and government for obtaining credit. As it developed, both officials and non-officials began to consider whether cooperative societies could be used for the distribution of government loans, since such a step was likely to secure better utilisation of the loan and people's participation in its administration. This aspect was considered by various committees and commissions from time to time. Important amongst these were the following—

12·2. The Committee on Cooperation in India set up by the Government of India in 1915, of which Sir E.D. Maclagan was the chairman, made a comprehensive study of the cooperative movement in India for the first time. The Committee felt that as the class of agriculturists who borrowed from cooperative societies and from government and the purposes for which they borrowed were practically the same, use could be made of cooperative societies for the purpose of distributing government loans. The Committee, therefore, recommended that government may grant agricultural loans to societies for distribution amongst members for the purposes specified in the concerned Acts. The Committee also recommended that direct advances from government to members of cooperative societies should be restricted to those who apply with the permission of the institutions concerned. The following extract from the report of the Committee is pertinent in this regard. "It seems to us important to emphasize the fact that these loans (government agricultural loans to societies) are not to be looked on as advances for fostering a new form of organisation; but are part of the ordinary routine of administration involving no change of policy or procedure, except to the extent of substituting the agency of cooperative societies for that of government officials. As these loans are issued in accordance with the agricultural loans policy of government and not as part of the ordinary working capital of the society they should be made quite irrespective of the amount of the balances available in the society in the form of fluid resources. Where a few societies only are concerned or where the societies concerned have not been affiliated to a central bank, the advances would be made to the societies themselves; the central bank where it exists, being duly informed by government of the grant; but where the advances are needed for a number of societies federated under a central bank, the loans might, in our opinion, be given to the central bank for distribution, the bank being allowed to charge enough interest to cover its expenses. Where an organisation with local knowledge such as that maintained by a central bank is in existence it seems to us proper that government should make use of it rather than add to the labours of its own.........".

12·3. The Royal Commission on Agriculture set up by the Government of India in 1928 observed in their report that the hope for the salvation of

rural masses from their crushing burden of debt lies only in the building up of a healthy and well-organised cooperative movement. Cooperative credit, it emphasized, is the only satisfactory means of financing agriculture on sound lines and that for the contentment and happiness of the rural community, State Governments must regard the cooperative movement as deserving of all encouragement. It was also of the view that until the cooperative movement reached an advanced stage of development, the system of government loans must continue and to the extent the cooperative movement developed, cooperative credit should replace government finance. Similarly it suggested that when a situation arises, which is beyond the capacity of the cooperative movement to meet, local governments should grant loans to cooperative socitiees or through them to their members. The Commission further recommended that the Agriculturists' Loans Act need remain in the statute book only till the spread of thrift or cooperative credit or of both rendered it obsolete and that part at least of the allotment under the Land Improvement Loans Act should be placed at the disposal of land mortgage banks, where they were firmly established, provided steps were taken to ensure its utilisation on the objects that fell within the scope of the Act. These observations of the Commission, in substance, meant that local governments should gradually reduce lending under the Agriculturists' Loans Act to the extent cooperatives became capable of meeting the short-term credit requirements of agriculturitsts and should ultimately discontinue such lending as soon as the cooperative movement reached an advanced stage of development. Regarding loans for land improvement the suggestion was that they should be channelled through the land mortgage banks wherever they had gained some strength.

12·4. The Agricultural Finance Sub-committee appointed by the Government of India in 1944 under the Chairmanship of Shri D.R. Gadgil has, in its report, observed that financial reconstruction cannot be successful unless all problems of the agricultural economy were tackled as a whole and that the attempt to raise a sound system of finance should be only a part of the general programme of reconstruction to place the agriculturist producers in a state of normal solvency. In its view, the primary credit society should continue to be the nuclear unit of the cooperative credit structure and should try to finance all the short-term needs of its members and also, subject to certain limitations, their intermediate term needs. The Committee has further observed that every effort should be made to reduce the rates of interest on short and intermediate-term finance charged to the ultimate borrower as much as possible, so as not to exceed 6¼ per cent in any case. In areas where high rate is due to the small size of the unit and high costs of administration, the Committee suggested that government should subsidise the cost of administration so as to bring the lending rate within the recommended limits. As regards land mortgage banks the Committee has stressed the need to develop them wherever possible and to keep the rate of interest on development finance at 4 per cent by subsidising them, if necessary.

12·5. The Cooperative Planning Committee appointed by the Government of India in 1945, under the Chairmanship of Shri R.G. Saraiya has generally approved the analysis of the problem of agricultural credit made by the Agricultural Finance Sub-committee and has emphasized that the expansion of the

cooperative movement would provide the best solution of the problem of rural credit in the country. It has also recommended that government should finance the state cooperative banks at a rate of interest which will enable them to advance loans to the ultimate borrower at not more than 6¼ per cent for short-term loans and about 4 per cent for long-term loans.

12·6. The efforts made by the erstwhile State of Bombay to implement the recommendations of the Agricultural Finance Sub-committee and the Cooperative Planning Committee resulted in the appointment of the Agricultural Credit Organisation Committee, in 1947 under the chairmanship of Sir Manilal B. Nanavati. This Committee did not recommend the setting up of any separate organisation for the provision of credit to agriculturists in Bombay State but was of the view that if the cooperative movement was suitably reorganised, it could provide finance to a fairly large number of creditworthy cultivators at a reasonably low rate of interest. Towards this end, the Committee suggested various measures that led to the emergence of the Integrated Credit Scheme in Bombay State for financing all credit worthy agriculturists at a rate of interest not exceeding 6¼ per cent to 7-13/16 per cent. The important measures suggested were:—

(*a*) provision of subsidy for meeting managerial expenses of credit institutions;

(*b*) reorganisation of the cooperative credit structure;

(*c*) share capital participation by the State Government in central financing agencies;

(*d*) State assistance to cooperative institutions by provision of short-term funds through the provincial bank at low rates of interest, *viz.*, 1·5 per cent.

(*e*) Supervision of central banks by the provincial bank in regard to the operation of government accounts and the recovery of dues;

(*f*) creation of an Agricultural Credit Stabilisation Fund by the State Government; and

(*g*) provision of technical staff to land mortgage banks for examination of schemes and land evaluation.

The Committee felt that these measures were necessary to enable the cooperative structure to expand business to cover a fair percentage of the agricultural population in Bombay State and to issue short-term loans at 6¼ per cent and long-term loans, excluding loans for special purposes, at 5 to 5½ per cent. For special purpose loans, the Committee suggested a rate of interest at 4 per cent as recommended by the Agricultural Finance Sub-committee.

12·7. The Rural Credit Survey Committee (1951-52) considered amongst other matters, the issue of takavi loans for production and land improvement purposes and recommended that takavi should be strictly limited, subject to certain exceptions of a transitional nature, to periods of widespread distress such as famine, scarcity, floods etc. As regards government loans for special purposes at a concessional rate of interest, the Committee observed, that such loans should be advanced through cooperative institutions.

12·8. The Takavi Policy Committee appointed by the old Madhya Pradesh State in 1952 expressed the view that the cooperative institutions should be ultimately the proper agency for advancing loans to cultivators for production purposes. In the meanwhile, the State could not transfer its responsibility in the matter immediately. While, therefore, the State should continue to give takavi to cultivators, a determined effort should be made to expand and remove the defects in the cooperative movement so that it might be strengthened to take upon itself the entire burden of agricultural financing in due course. In places where the cooperative institutions were strong, sound and efficient, the responsibility of agricultural financing for production purposes might be transferred to cooperative institutions on an experimental basis. If need be, the State could provide funds to these institutions either from its own resources or by means of a guarantee. The Committee was of the view, that, before takavi distribution can be transferred to a cooperative institution, it should satisfy certain conditions. As regards the rate of interest to be charged to the ultimate borrower the Committee observed that in India where agriculture is practised on any but efficient lines, the rate of 6¼ per cent as interest appeared to be the maximum the agriculturist could pay for current finance. However taking into account local circumstances the Committee suggested that in Madhya Pradesh 7-13/16 per cent interest might be charged on loans under the Agriculturists' Loan Act and 4-11/16 per cent on loans under the Land Improvement Loans Act with the ultimate object of reducing the rate of interest to 6¼ per cent in the case of the former.

12·9. The Grow More Food Enquiry Committee set up by Government of India in 1952 inter-alia went into the credit needs of agriculturists and recommended that States should have definite programmes for the expansion and revitalisation of the cooperative credit movement. The Committee also recommended that wherever possible short-term loans should be made through cooperative societies and that until the cooperative movement was well developed it was necessary to take increasing care in providing such finance to the cultivators. The implication obviously was that once the cooperative movement was sufficiently developed, State Governments should stop issuing short-term loans to agriculturists.

12·10. The Crop Loan Evaluation Committee appointed by the Bombay State Cooperative Bank Limited in 1955 under the chairmanship of Prof. D. G. Karve observed that, as a rule and except in special areas, no takavi should be issued either for current crop loan purposes or for developmental purposes. According to the Committee, governmental assistance for these purposes should take the form of overall strengthening of cooperative institutions on whom the responsibility of meeting the credit needs of all farmers should be squarely placed and takavi should generally be resorted to only for the purpose of relief of distress and for rehabilitation. In their view provision of takavi, on the whole, produced much less satisfactory economic results and, at the same time, harmed normal expansion of cooperative activity. In the Committee's own words, "takavi, is unknowingly causing harm to the citizen who has a sense of being discriminated against; to the tax payer whose money is used on a selective and less economical basis and to the cooperator whose legitimate progress is held back." They concluded, having regard to the conditions in Bombay State, that "the whole issue regarding takavi is at a stage

where someone in authority, with courage equal to his conviction, has finally to decide that no further loans for business activity will be made, except through appropriate (cooperative) institutions."

12·11. The observations and recommendations summarised in the foregoing paragraphs clearly suggest that the system of government loans for current agricultural operations need be continued only till such time as the cooperative movement is well developed to take up the work and that loans for long-term investments should wherever possible, be provided through the land mortgage banks. However, for a variety of reasons, these suggestions have remained largely unimplemented in the States.

13. *N. D. C. Resolution on Cooperative Policy*

13·1. The National Development Council, in 1958, considered the role of ooperatives in intensifying agricultural production and was of the view that the cooperative movement should be developed so as to bring within its fold all rural families before the end of the Third Five Year Plan. Towards this end, it recommended that "by making takavi loans and other facilities available to individuals through cooperatives, conditions should be created in which every peasant and rural worker will find it to his advantage to join the village cooperative".

13·2. The Working Group on Cooperative Policy, which was appointed by the Government of India for considering the administrative and organisational arrangements required for implementing the resolution of the National Development Council, felt that the question of channelling takavi loans through cooperatives called for very careful examination by the State Governments so that a clear policy could be laid down. It recommended that this should be done without any avoidable delay and that necessary steps should be taken to channel all credit through cooperatives.

13·3. The Mehta Committee, set up by the Government of India in 1959, similarly recommended that at the village level there should be only one institutional agency for the supply of credit, namely, the cooperative agency and the policy of the government should be such as would eventually lead to that result. Funds intended for disbursement as takavi, short or medium-term, should be placed at the disposal of the cooperative agency.

14. *National Policy of Cooperative Development and Agricultural Production*

14·1. The Third Five Year Plan has strongly emphasized that in a planned economy pledged to the values of socialism and democracy, cooperation should become progressively the principal basis of organisation in many branches of economic life, notably in agriculture and minor irrigation, small industry and processing, marketing, distribution, supplies, rural electrification, housing and construction and the provision of essential amenities for the local communities. The various programmes of cooperative development included in the Third Plan are, therefore, intended to build up the necessary institutional framework for rapid economic development in rural areas, particularly, for providing credit and other facilities to the agriculturists.

14·2. In the scheme of development during the Third Plan, the first priority has been accorded to agriculture. The objective is to increase agricultural

production to the largest extent possible, and to ensure that "what is physically practicable should be made financially possible". In other words, plan provisions together with the finance that will be provided by the cooperative agencies, should be adequate for achieving the targets of production which are sought to be achieved through the implementation of village production plans. It has, therefore, been stressed that all families in the village, specially those engaged in cultivation, must be involved in the agricultural effort through the village cooperative and the panchayat, and enabled to achieve larger results through village production plans.

14·3. The national policy relating to cooperative development as well as agricultural production thus aims at the building up of a strong cooperative structure at the village level and higher levels as an integral part of the strategy for achieving the objective of maximum agricultural production. The effort to make available takavi loans and other supplies through the cooperatives would, therefore, be a step in the direction of giving a practical shape to this policy.

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Chapter III

TAKAVI LOANS AND COOPERATIVE CREDIT—PRESENT POSITION

15. *Laws on takavi operations*

In the previous Chapter we had indicated that in all States and Union Territories except the States of Kerala, Rajasthan and Jammu & Kashmir, the Agriculturists' Loans Act and the Land Improvement Loans Act are in operation and that in the latter the Kerala Agriculturists' Loans Act, 1961, the Rajasthan Agricultural Loans Act and the Jammu and Kashmir Aid to Agriculturists and Land Improvement Act respectively are in operation. These Acts govern the issue of loans to agriculturists by Revenue, Agriculture and Community Development Departments except in the States of West Bengal, Orissa and Assam where C. D. loans are issued under special rules framed for the purpose.

16. *Agencies disbursing takavi loans*

16·1. Government loans to agriculturists are classified under two categories for administrative purposes viz. (*i*) those issued out of funds earmarked for plan schemes and (*ii*) those issued out of funds available outside the plan provisions. Loans falling under the first category are generally advanced out of the budgetary provisions of the various departments administering the schemes, mainly the Agriculture and Community Development Departments while those falling in the second category mainly through the budget of the Revenue Department. In Uttar Pradesh, however, budget provision for both the categories is made by the Board of Revenue, but, the loans are disbursed by the various development departments. In Rajasthan, with the introduction of democratic decentralization, the authority to sanction loans to agriculturists for implementing some of the schemes of the Agriculture Department viz. minor irrigation works, distribution of manures, fertilizers and improved agricultural implements, fruit development and all the schemes of Community Development Department have been transferred to the panchayat samitis. The panchayat samitis have also been empowered to disburse loans for the purchase of bullocks, camels, cows, buffaloes, and persian wheels, construction of pucca and kacha wells, conversion of kacha wells into pucca wells, repairs, deepening and boring of wells and construction of embankments which was formerly the concern of the Revenue Department. The departments concerned place the necessary funds at the disposal of panchayat samitis to enable them to sanction and disburse loans.

16·2. In Andhra Pradesh, Assam and Madhya Pradesh, cooperatives, to a limited extent, have been utilised for the distribution of takavi loans, the details of which will be given at a later stage.

17. *Purposes or which takavi loans are given*

17·1. Takavi loans are sanctioned mainly for the following purposes:—

(*i*) Purchase of seeds, manures, fertilizers and cattle.

(*ii*) Bunding and levelling of land.

(iii) Undertaking soil conservation works.

(iv) Digging and repairing of wells.

(v) Installation of pumping sets, persian wheels etc.

(vi) Construction and maintenance of irrigation channels.

(vii) Reclamation of waste land.

(viii) Purchase of agricultural implements and machinery such as tractors etc.

(ix) Adoption of improved agricultural practices.

(x) Adoption of plant protection measures.

(xi) Establishment of orchards.

(xii) Purchase of fodder for cattle.

(xiii) Maintenance of cultivators while engaged in sowing and tilling their lands prior to the next crop.

(xiv) Undertaking repairs and reconstruction of houses damaged by floods etc.

These purposes, except the last, are connected with agricultural operations. As a general rule, takavi loans issued for rendering relief to persons subjected to distress, such as floods, famine etc, are not shown as such, but are described in the loan bonds as for one or more of the purposes listed above.

17·2. Takavi loans for certain purposes such as reclamation of waste land, digging of wells, installation of pumping sets, undertaking plant protection measures etc. have an element of subsidy attached to them. Subsidy is given in such cases because of the special risks and the need for offering incentives and popularising these forms of development.

17·3. Soil conservation including contour bunding are undertaken departmentally in some States. After the works are completed, a part of the cost is apportioned among agriculturists, whose lands are benefited and the share of those agriculturists who do not pay it up within the prescribed time is treated as takavi loans to them. Certain forms of soil conservation and contour bunding cannot be undertaken individually in comparatively small bits of land. They are promotional activities which call for close technical supervision and guidance by government. Government selects the areas where these works have to be undertaken in the interest of the community and executes them. All agriculturists whose lands are benefited by the works have to bear a part of the cost. No agriculturist in the area where the work is undertaken, has the option to get his land excluded from the scheme. Thus soil conservation and contour bunding involve a sort of compulsion and this is justified on the ground that the works are undertaken for the benefit of the community as a whole.

17·4. The special feature of takavi loans for establishment of orchards is that they are sanctioned for comparatively longer periods and repayments are to begin only when the orchards begin to yield income. This enable the cultivators to repay the loans out of the incomes derived from the orchards themselves.

18. *Security for takavi loans*

The nature of security against which government loans for various purposes are sanctioned varies from State to State. Reliance, however, continues to be placed mainly on the value of land which the borrower can offer as security. The position obtaining in some of the States is indicated below by way of illustration.

(*i*) *Uttar Pradesh*—According to the rules in force in Uttar Pradesh, no loan can be granted on personal security unless the borrower furnishes two solvent and substantial sureties. Limits have been fixed as a multiple of the land revenue or rent, up to which loans can be issued on the personal security of the borrower and/or sureties. The limits are:—

(*a*) Bhoomidar—60 times the land revenue.

(*b*) Sirdar—10 times the land revenue.

(*c*) Advasis—twice the rent.

(*d*) Asamis—equal to the rent.

For the purpose of construction of masonry wells the grant of takavi to bhumidars and sirdars is limited to 40 and 30 times the annual valuation of their holdings respectively, as determined on the basis of the hereditary rates applicable. The hereditary rate is nearly equal to the land revenue paid by a sirdar and double the land revenue paid by a bhumidar. The land revenue paid by a bhumidar is half that paid by a sirdar. Loans above these limits can be sanctioned only on the security of landed properties (other than house properties), trees, groves or government and other recognised securities.

(*ii*) *Punjab*—The 'land improvement and agriculturists' loans manuals of Punjab prescribes procedures to be adopted for the grant of takavi loans under the two Acts. The instructions with regard to the issue of loans are:—

(*a*) When the applicant has an interest in land and the value of such interest is sufficient to cover the loan, such interest should suffice as security and no collateral security need be demanded.

(*b*) When the applicant has no interest in land or such interest cannot for any reason be hypothecated as security, the officer sanctioning the loan may, at his discretion, require the applicant to produce collateral security either real or personal, that is, of some persons who will stand surety for payment of the loan with interest.

(*c*) Moveable property should rarely be accepted as security.

(*iii*) *Andhra Pradesh*—In Andhra Pradesh, for loans issued under the Land Improvement Loans Act and the Agriculturists' Loans Act, the applicant's interest on the land to be improved is taken as security for the loan and if the value of such interest does not exceed by one-third of the amount of the loan applied for, collateral security is obtained. Loans repayable in two instalments and not exceeding Rs. 100 in each case are, however, granted under the Agriculturists' Loans Act on the personal security of the applicant or on the joint personal security of the applicant and one or more other persons.

(*iv*) *Maharashtra*—In Maharashtra an individual is regarded as a small holder if he holds land not exceeding six acres of irrigated land or eighteen

acres of other land or who holds land of whatever description, the total annual agricultural assessment of which does not exceed Rs. 30 and who cultivates land himself or is an inferior village servant.

Takavi loans are issued generally on the basis of landed security; but, in cases where loans are issued for machinery such as pumping sets, etc. mortgage of such machinery is taken. Loans are granted subject to sufficiency of the security with a margin for safety. Moveable property is rarely accepted as security but personal security is accepted, even that of one person after ascertaining the adequacy of his solvency, character etc. If the sureties are more than one, they are required to bind themselves jointly and severally. Except in times of scarcity or famine, loans are generally not given to persons who are in arrears of government dues of any kind, unless, the sanctioning authority is satisfied about the quantum of security. Where the amount of loan is large, security of immoveable property is invariably taken. When the value of the land offered as security is inadequate, a loan not exceeding Rs. 100 is sanctioned against the security of the personal bond guaranteed by two solvent sureties. In the case of persons belonging to backward class communities a loan, not exceeding Rs. 100, is sanctioned against personal security and guarantee of two sureties provided, the annual assessment of the land belonging to the applicant and the sureties is not less than 1/5th of the loan sanctioned.

Normally, security for takavi loans is taken in the form of landed property. The amount of loan admissible is equal to a third of the security given and depends upon the capacity of the borrower to repay the loan. In the case of a small holder (holding assessed up to Rs. 30) the takavi loan admissible is equal to the security given provided the amount of the loan does not exceed Rs. 2,000.

Takavi loans for the construction of wells are granted up to 50 per cent of the value of the borrowers land plus the cost of construction of the well. Loans, particularly for large amounts, are generally paid in two or more instalments. The first instalment is advanced only when the work for which it is required is near at hand. Subsequent instalments are paid after verifying that the amount of the previous instalment has been utilised for the purpose for which it was granted.

Ordinarily the value of the land required as security is three times the amount of the loan to be sanctioned, the basis of valuation being the present market value of the land. This high margin is considered necessary in view of the present inflated prices of land. Cases where there is appreciable fall in the price of land are referred to government for reducing the margin.

In respect of lands held on the new or restricted tenure and offered as security for granting takavi loans, the value of such lands when offered as security for granting loans under the Land Improvement Loans Act, 1883 and the Agriculturists' Loans Act, 1884 are taken as equal to 2/3rds of the prevailing market value of similar lands held on the old tenure in the locality, irrespective of the fact whether the lands were granted to their holders either free of charge or for nominal or reduced price.

Valuation of cultivated lands in backward class areas offered as security for takavi loans for purposes other than construction of wells is computed at 80 times the assessment or 50 per cent of the value of similar lands held on the old tenure, whichever is greater.

In the case of agriculturists holding service inam lands, loans are granted on the security of any other lands held by them, lands belonging to persons who are willing to become sureties and on the security of the crop for amounts not exceeding Rs. 100.

(*v*) *Madras*—The limits fixed in Madras for issuing takavi loans for various purposes are as under:—

Purpose	Maximum amount of loan ordinarily permissible
1. For construction or repair of wells or tanks, reclamation of waste, purchase and installation of oil engines or any other work by which the letting value of the land for the purpose of agriculture will be permanently increased	No limits.
2. For the purchase of seed, grains cattle, etc., or rebuilding of house destroyed by fire, flood or storm	Rs. 1,000.
3. For planting coffee, tea, cinchona, pepper or fruit trees	Rs. 2,000. (Rs. 5,000 in Nilgiris Dt.)
4. For cultivation of sugarcane, betel, ginger and turmeric	Rs. 1,000.
5. For cultivation of plantains	Rs. 100.
6. For cultivation of tobacco	Rs. 2,000.
7. For other agricultural purpose	Rs. 2,000.
8. For relief of distress	Rs. 200.
9. For purchase of seeds of food, fodder, and green manure crops	Rs. 120. (Rs. 500 in Nilgiris Dt. and Kodaikanal taluk).
10. For the purchase of agricultural machinery and implements, sprayers, insecticides, etc.	Rs. 100.
11. For improving existing coffee plantations by adopting scientific cultivation, practices, etc.	Rs. 500.

Loans are generally granted on the security of lands. The value of security should be at least twice the amount of the loan applied for. But, where the value of the land is less than twice the amount of loan applied for, collateral security is required. Where a loan is granted to the members of a village community or to any other persons on such terms that all of them are jointly and

severally bound to the Government for the payment of the whole amount payable in respect thereof, and a statement showing the portion of that amount which as among themselves each is bound to contribute is entered upon the order granting the loan and is signed by each of them and by the officer making the order, that statement shall be enclusive evidence of the portion of that amount which as among themselves each of those persons is abound to contribute. Loans under the Land Improvement Loans Act are repayable by instalments in the form of annuity or otherwise, the maximum period of repayment being 35 years.

Loans under item (2) to (11) above repayable in two instalments and not exceeding Rs. 100 in amount may be granted on personal security of the applicant or the joint personal security of the applicant and one or more other persons. Loans upto a limit of Rs. 30 per acre subject to a maximum of Rs. 100 in each individual case and repayable in two annual instalments may also be granted for the reclamation of porambokes (private waste lands) and government waste lands. Further, when an applicant for a loan on personal security has no immoveable property the loan may be granted on the personal security of the borrower and one other person as surety, who need not necessarily possess immoveable property.

(*vi*) *Gujarat*—In Gujarat security of land, crops and personal securities of solvent sureties and, in some cases, even the security of the land of the sureties are taken into account for the grant of takavi loans.

(*vii*) *Jammu & Kashmir*—In Jammu and Kashmir, generally, mortgage of land is taken as security, but when loans are issued for the community or a part of the community, personal securities of all the members of the community are taken into account.

(*viii*) *Other States*—In the remaining States and Union Territories mortgage of land, generally, is taken as security for the issue of government loans.

19. *Procedure for recovery of takavi dues*

19·1. Loans issued under the Land Improvement Loans Act and the Agriculturists' Loans Act are, when they become due, recoverable as if they were arrears of land revenue under section 7 of the former and under section 5 of the latter Act. Government loans issued under special rules framed for the purpose, as in the case of community development loans of West Bengal, Orissa and Assam are also recoverable, when they become due, as arrears of land revenue under the terms of the loan bonds executed by the borrowers. Thus in the matter of recovery of takavi loans a first charge on the properties of borrowers is created in favour of government irrespective of the nature of the security taken at the time of advancing them.

19·2. The rules for the recovery of arrears of land revenue provide for civil imprisonment of the defaulters in addition to distraint and sale of their moveable properties and attachment and sale of their immoveable properties. The existence of this provision of civil imprisonment was prominently brought to our notice during our visit to one of the States and we were told that civil imprisonment was, in fact, being resorted to for recovering takavi dues. The agriculturists, it was contended, are afraid of this practice and preferred, therefore, to get loans from cooperatives rather than from government.

20. *Takavi loans—size of operations*

20·1. Statistical data relating to takavi operations such as the aggregate of amounts issued by different departments in any year, the demand put down for recovery, actual recoveries against that demand, balance outstanding at the close of that year and the amount of arrears of more than one year are not readily available with any State Government either in a consolidated form or department-wise. We had therefore considerable difficulty in obtaining such data. We take this opportunity to urge upon State Governments to arrange for the maintenance of department-wise and consolidated up to date information about takavi operations.

20·2. The quantum of takavi advances made by different states during the year 1957-58 to 1960-61 is as indicated below :—

(Rs. in lakhs)

Name of State	Quantum of takavi loans advanced directly to individuals			
	1957-58	1958-59	1959-60	1960-61
1. Andhra Pradesh	172·34	155·25	150·91	191·69
2. Assam*	18·00	23·00	73·00	59·00
3. Bihar	226·40	263·18	41·45	53·33
4. Gujarat	198·42	137·70	228·40	112·47
5. J. & K.*	0·04	0·60	5·10	0·15
6. Kerala	15·25	18·78	29·15	36·46
7. Maharashtra	444·19	427·78	1,252·54	981·84
8. Madhya Pradesh	334·23	424·03	321·95	260·69
9. Madras	355·30	355·68	380·38	486·62
10. Mysore	94·97	143·16	172·75	365·69
11. Orissa	16·04	21·96	27·42	78·36
12. Punjab	107·92	273·64	159·29	556·80
13. Rajasthan	100·97	249·15	176·53	278·54
14. Uttar Pradesh	328·93	462·07	391·21	461·45
15. West Bengal	168·93	233·96	143·34	174·45
Total	2,581·93	3,189·94	3,553·42	4,097·54

The figures in the statement represent the total of the advances made directly to individuals, in each year, by all the concerned government departments for the purposes of agricultural production, land improvement, settlement of displaced persons on land (other than loans issued by the rehabilitation department) and relief of distress. As a general rule takavi loans are advanced to cultivators directly by the different departments of the State Governments.

*Estimates.

A beginning has been made recently in the States of Andhra Pradesh, Assam and Madhya Pradesh, to channel takavi loans through cooperatives, to some extent. The table below shows the volume of credit made available through them:

(Rs. in lakhs)

Name of State	Quantum of takavi loans advanced through coops. in			
	1957-58	1958-59	1959-60	1960-61
Andhra Pradesh	—	0·60	—	—
Assam	—	—	57·50	70·00
Madhya Pradesh	—	—	—	38·22
Total ..	—	0·60	57·50	108·22

Thus the total takavi lendings, both directly and through cooperatives by all States during the years 1957-58 to 1960-61 were as under:—

1957-58	Rs. 25·82 crores
1958-59	Rs. 31·90 crores
1959-60	Rs. 36·11 crores
1960-61	Rs. 42·06 crores

20·3. The State Governments have not been able to furnish the term-wise break-up of the takavi loans advanced by them. A few of them have however estimated the break-up on the basis of sample surveys undertaken in selected districts or by collecting special information relating to the classification of loans. The position in this regard in the States of Maharashtra, Madras and Punjab has been indicated below:—

Name of State	State Term-wise/break-up of takavi loans advanced in								
	1958-59			1959-60			1960-61		
	ST	MT	LT	ST	MT	LT	ST	MT	LT
	%	%	%	%	%	%	%	%	%
Maharashtra ..	14·99	27·68	57·33	15·75	13·73	70·88	7·78	28·09	64·13
Madras ..	41·75	12·88	45·37	32·14	15·01	52·85	27·11	13·64	59·25
Punjab ..	53	—	47	21·4	—	78·6	46·5	—	53·5

This information is regarded by us as too inadequate to draw any conclusions for the country as a whole.

21. *Takavi loans for the relief of distress*

21·1. The figures given above include the loans advanced by State Governments for the relief of distress. Most of them have not been able to supply exact figures about the distress component of takavi loans advanced by them. Madras State has, however, reported that there was no occasion to give distress loans during the four year period. Only Uttar Pradesh and Punjab States have been able to supply some information in this regard.

21·2. The information in respect of Uttar Pradesh is indicated below:—

(Rs. in lakhs)

Year	Total of advances	Amount advanced for relief of distress	Percentage of distress loans to total advances
1957-58	328·93	157·39	47·8
1958-59	462·07	135·21	29·3
1959-60	391·21	79·89	20·44
1960-61	461·45	118·53	25·7
Total ..	1643·66	491·02	29·9

Thus in Uttar Pradesh, the percentage of distress loans to the total takavi advances was 47·8 per cent in 1957-58 which decreased to 20·4 per cent in 1959-60. But in 1960-61, it rose to 25·7 per cent. The average for the four years amounted to 29·9 per cent.

21·3. The amount of takavi sanctioned by the Government of Punjab for the relief of distress has been furnished to us, but the exact amount spent, out of the amount sanctioned, has not been indicated. As the amount sanctioned, has not been indicated. As the amount sanctioned is intended to give some relief to people who had suffered from natural calamities, we have presumed that the amount sanctioned has been spent, fully. Details in this regard are given in the table below:—

(Rs. in lakhs)

Year	Total of takavi advances	Amount sanctioned for relief of distress and presumed to have been fully spent	Percentage of amounts in col. 3 to those in col. 2
1957-58	107·92	21·24	19·7
1958-59	273·64	185·22	67·6
1959-60	159·29	20·11	12·6
1960-61	556·80	401·21	72·0
Total ..	1097·65	627·78	57·2

In Punjab, therefore, the distress component of takavi advances was only 19·7 per cent in 1957-58 and 12·6 per cent in 1959-60. It was more than two-thirds of the loans advanced in 1958-59 and 1960-61. The average for the four years amounted to 57·2 per cent.

21·4. As regards other States, the distress components of the takavi advances made during 1957-58 to 1960-61 have been worked out by some of them on the basis of sample surveys conducted in a few selected districts. Information received in this respect has been shown in the following table:—

Name of the State	Total takavi advances in lakhs of rupees				Percentage of distress takavi to total advances			
	1957-58	1958-59	1959-60	1960-61	1957-58	1958-59	1959-60	1960-61
1. Maharashtra.	444·19	427·78	1,252·54	981·84	1·5*	8·7*	1·3*	0·9*
2. Orissa ..	16·04	21·96	27·42	78·36	8·9	37·2	25·6	70·2
3. West Bengal.	168·93	233·96	143·34	174·45	78	90	91	62
4. Madhya Pradesh.	334·23	424·03	321·95	260·69	—	6·7	2·4	2·1

The above tables show that the quantum of distress finance varies from State to State and from year to year. By and large the distress finance may be taken at about one-third to one-fourth of the total over a period of years in the past. With the enlargement of governmental finance during the Third Plan period, distress finance may not correspondingly go up and may be taken at about Rs. 10 crores a year.

22. *Overdues of takavi loans*

22·1. The table below gives an indication of the overdues position of takavi loans in respect of all the States except Assam and Jammu & Kashmir for which figures were not available.

(Rs. in lakhs)

Particulars	1958-59	1959-60	1960-61
1. Demand for the year†	5188·99	5622·23	5960·83
2. Amount recovered during the year ..	2175·63	1939·69	2184·46
3. Overdues at the close of the year ..	3025·17	3691·49	3773·51
4. Outstandings at the close of the year ..	10598·66	11924·43	13856·68
5. Percentage of overdues to demand ..	58·3	65·7	63·3
6. Percentage of overdues to outstandings ..	28·6	30·9	27·2

* Percentage worked as on the basis of sample surveys conducted in three districts.

† (In the case of Bihar the figure relates only to 13 out of 17 districts).

It will be seen that overdues have increased year after year in relation to both demand and outstandings and that only a small portion of the demand was collected in any year.

22·2. The position of overdues, varies widely from State to State. The comparative position in the States, relating to the year 1960-61, is given below:—

(Rs. in lakhs)

Name of State	Demand for the year	Recoveries during the year	Overdues at the close of the year	Outstandings at the close of the year	% of overdues to demand	% of overdues to outstandings
1. Andhra Pradesh ..	429·21	72·34	356·87	1315·95	83·2	27·1
2. Assam	NA	NA	NA	NA	NA	NA
3. Bihar	1117·59*	94·00	1023·59	1579·30	91·6	64·8
4. Gujarat	230·25	92·57	137·68	740·11	59·8	18·6
5. Jammu & Kashmir ..	NA	NA	NA	NA	NA	NA
6. Kerala	30·93	14·84	16·09	100·00	52·0	16·09
7. Maharashtra ..	809·75†	414·51	395·24†	2795·70	48·8	14·1
8. Madhya Pradesh ..	953·31	325·31	628·00	1439·34	65·9	43·6
9. Madras	472·35	243·94	228·41	1107·09	48·3	20·6
10. Mysroe	251·68	30·84	220·84	724·04	87·7	30·5
11. Orissa	113·00	37·07	75·93	286·53	67·2	26·5
12. Punjab	597·50	271·40	326·11	1183·10	54·6	27·6
13. Rajasthan ..	219·63	155·91	63·72	800·00	29·0	8·0
14. Uttar Pradesh ..	499·60	249·37	250·23	927·50	50·1	26·9
15. West Bengal ..	236·02	175·22	60·80	664·22	25·4	9·2
Total ..	5960·83	2184·46	3773·51	13856·68	63·3	27·2

22·3. The overdues were above 80 per cent of the demand in three States, between 50 and 80 per cent in six States and below 80 per cent in the remaining States. The figures given above do not include the position in Union Territories. Since the quantum of loans issued in these territories is comparatively small the omission of the figures relating to them will not materially affect the overall position of overdues.

23. *Cost incurred by Government on takavi transactions*

23·1. Work relating to the processing of takavi loan applications up to the stage of disbursement is being attended to, in the States, by the staff of the concerned administrative departments. Some special staff is sanctioned only when the volume of work increases substantially.

23·2. As regards recovery, the work is normally the responsibility of the Revenue Department in most of the States. In West Bengal, however, special staff has been appointed for recovering takavi dues other than those

* (Relates only to 13 out of 17 districts).

† (These figures are estimated based on sample survey in 3 districts.)

in respect of loans issued by the Community Development Department. The expenditure incurred on the special staff and the amounts recovered through them during the years 1958-59 to 1960-61 were as under :—

(Rs. in lakhs)

Year	Amount Advanced	Amount recovered	Cost of recovery staff	% of cost to the amount advanced	% of cost to amount recovered
1958-59	193·34	87·38	9·85	5·10	11·30
1959-60	101·30	83·20	12·90	12·70	15·50
1960-61	124·09	150·50	12·24	9·90	8·10

In Uttar Pradesh takavi dues are being recovered along with other dues through the integrated collection scheme. The cost of recovering takavi dues has, however, been estimated at about 5 to 6 per cent. An eminent cooperator and ex-Finance Minister of one of the States informed us that the cost of takavi operations borne by government was estimated at 4 per cent in the early forties.

23·3. In the absence of reliable information regarding the cost borne by government for processing takavi loan applications and recovering takavi dues, we requested the Governments of Madras, Maharashtra and Gujarat to conduct sample surveys in a few selected districts for ascertaining the approximate costs involved. These surveys reveal that these Governments have been incurring an expenditure of the order of about 4 per cent, 3·17 per cent and 4·76 per cent respectively of the advances made by them. The percentage of expenditure to recoveries would obviously be higher.

23·4. On the basis of the material made available to us, it can roughly be assumed that the expenditure incurred by government either directly or indirectly on the processing of takavi loan applications and on effecting recoveries may be of the order of 3·5 to 4 per cent of the total advances.

24. *Bad Debts*

24·1. State Governments have not adopted the practice of classifying overdue debts into bad, doubtful and good as is being done by the cooperatives. In Bihar out of the total outstandings of Rs. 15·79 crores, as on 31-3-61, about Rs. 12 crores relate to loans issued in 1950-51 and 1954-55 which had become overdue years back. We were told that major portion of this amount is irrecoverable. Similar is the position in some other states also.

24·2. Even though it is permissible under the rules to write off bad debts the tendency is not to resort to that measure. Steps are not being taken to write off overdues pending for quite a long time, mainly because of the fear that once write off is resorted to it may be quoted as a precedent for similar action in future.

24·3. Under these circumstances, it is not possible to assess the extent to which States will have to suffer losses on account of bad debts. We are, however, convinced that States will have to suffer losses on account of bad debts. Hence the cost being borne by government on takavi transactions will be much more than what has been indicated earlier in this chapter.

25. *Advances by cooperative agency*

25·1. The cooperative agency for providing short and medium-term loans to agriculturists at the village level is mainly the service society and that for advancing long-term loans, the primary cooperative land mortgage bank or a branch of the central land mortgage bank.

25·2. Long-term loans are issued by cooperatives on the mortgage of immoveable property. Short-term and medium-term loans upto certain limits which vary from State to State, are issued on the personal security of the borrowers and one or two sureties, and those in excess of these limits either on creating a charge on the land or on the mortgage of immoveable property. The individual limits vary from Rs. 150 to Rs. 2,000 in different States. The Mehta Committee on Cooperative Credit has already recommended that no landed security should be insisted upon for medium-term loans below Rs. 500. It has further recommended that loans between Rs. 500 and Rs. 1,000 should be given on the borrower creating a charge on his land and those above Rs. 1,000 on mortgage security. These have been dealt with in detail in Chapter VII of the report of the Committee on Cooperative Credit. Some of the other recommendations of the Mehta Committee which are relevant in this context are :—

(*a*) The primary test for judging the credit worthiness of an individual is his repaying capacity and to that extent he can be advanced a loan by the cooperative on the basis of his requirements for agricultural production ;

(*b*) In the case of a member whose loan requirements do not exceed Rs. 200 he may be allowed payment of share capital in instalments and that he must be given loan on the basis of share subscribed by him;

(*c*) In the case of medium and long-term loans, the first instalment for repayment may be postponed as the benefits of improvement accrue only after the first few years;

(*d*) Land mortgage banks, may, for the purpose of valuation of land, take into consideration the anticipated value of land after improvement; to cover such risks, the State Government might provide the necessary guarantee.

These recommendations are under various stages of implementation.

25·3. Measures for the compulsory recovery of cooperative dues have to pass through two stages. The first stage consists of obtaining awards against the defaulters through arbitration. In this respect, Maharashtra Government have by an amendment of the Cooperative Societies Act devised measures to speed up arbitration proceedings. The new provision enables a cooperative society to get the dues recovered merely on the strength of a certificate is ued by the Registrar on the basis of the extract of the loan account of the borrower, furnished by the society. The Registrar has also been empowered to take action on his own accord in this respect and the certificate granted by him is treated as final and conclusive proof of the arrears due, which are recoverable in the same manner as a decree of a civil court. In other States arbitration involves some delay. The second stage is the execution of awards through civil courts

according to the civil procedure code or through the Revenue Department in which case recoveries are made in accordance with the procedure for recovering arrears of land revenue. In States like, Maharashtra, Madras, West Bengal, Mysore, Orissa, Kerala and Jammu & Kashmir, officers of the cooperative department have also been empowered to execute awards in accordance with the procedure prescribed for the recovery of arrears of land revenue. However, delays in the execution of awards are not uncommon. The office-bearers of cooperative societies generally will not be prepared to point out the specific goods which can be attached for effecting recoveries and thus court the odium of the defaulters, who are fellow-villagers, which results in holding up of execution proceedings. The recovering agency, in so far as government dues are concerned, is the local revenue officer, who has an intimate knowledge of the assets of each borrower and hence it is not necessary for other person to point out the goods which can be attached.

26. *Size of Cooperative Advances*

The quantum of credit made available to agriculturists by the cooperative agency during the years 1957-58 to 1960-61 is indicated in the table below:—

(Rs. in lakhs)

Name of State	1957-58		1958-59		1959-60		1960-61	
	S.T. & M.T.	L.T.	S.T. & M.T.	L.T.	S.T. & M.T.	L.T.	S.T. & M.T.	L.T.
Andhra Pradesh	1151·19	85·69	1429·60	86·31	1749·97	139·14	1895·00	175·5
Assam ..	131·06	5·28	136·50	6·28	136·50	1·83	42·00	1·5
Bihar ..	97·36	—	92·19	0·45	129·27	1·48	182·00	2·62
Gujarat .. }	3933·51	214·67	4062·04	308·08	2126·41	309·35	2359·00	378·7
Maharashtra .. }					2986·84	163·66	4036·00	215·36
Jammu & Kashmir ..	36·05	—	129·09	—	64·50	—	108·00	—
Kerala ..	179·36	18·91	278·35	24·73	409·27	17·67	509·00	19·7
Madhya Pradesh	864·35	5·35	1041·66	6·04	1301·27	6·37	1787·00	6·8
Madras ..	911·37	72·74	1318·13	70·86	1736·65	93·61	2436·00	201·9
Mysore ..	696·74	46·71	956·29	63·24	1202·81	80·90	1415·00	96·6
Orissa ..	178·09	12·14	185·96	5·70	234·57	14·47	256·00	12·6
Punjab ..	789·35	—	864·07	13·84	1129·38	24·59	1176·00	30·5
Rajasthan ..	212·60	0·43	273·76	0·11	539·25	0·72	565·00	4·9
Uttar Pradesh	1072·06	—	1498·83	—	2921·72	1·09	3098·00	3·3
West Bengal ..	212·04	3·89	226·67	2·99	226·90	9·32	327·00	9·6
Union Territories	43·21	—	56·90	—	64·14	—	83·00	1·1
Total	9608·24	465·81	12550·04	588·63	16909·45	864·20	20274·00	1161·00

Thus the total volume of agricultural credit made available by the cooperative agency during the years 1957-58 to 1960-61 was as under—

1957-58—Rs. 100·74 crores.

1958-59—Rs. 131·39 ,,

1959-60—Rs. 177·74 ,,

1960-61—Rs. 214·35 ,,

27. *Overdues of cooperatives advances*

The Statistical Statements relating to the Cooperative Movement in India published annually by the Reserve Bank of India do not indicate the demand position in re pect of cooperative loans. Generally speaking overdues at the close of a year will be equal to the difference between the demand for the year and the recoveries during the year. Based on this we have worked out the demand for the years from 1957-58 to 1960-61 for maintaining comparability in the presentation of data. We are aware that the figures of demand arrived at in this way will not be strictly accurate to the extent of advance recoveries that may be effected. But we have overlooked this element of inaccuracy on the ground that such advance recoveries are rare and negligible in relation to total amount of recoveries. The table below indicates the overdues position of the advances made by primary agricultural credit societies and primary land mortgage banks for the country as a whole:—

(Rs. in lakhs)

Particulars	1957-58	1958-59	1959-60	1960-61
1. Demand for the year:—				
(a) Short-term & Medium-term loans	8769·22	12308·57	16335·77	20659·00
(b) Long-term loans	135·53	161·26	192·87	236·89
2. Collection during the year:—				
(a) S.T. & M.T. Loans	6490·57	9618·86	12565·64	16260·00
(b) Long-term loans	101·81	1121·35	142·66	172·89
3. Outstandings at the close of the year:—				
(a) S.T. & M.T. loans	10710·38	13499·91	17770·76	21808·00
(b) Long-term loans	1308·09	1514·23	1922·32	2468·47
4. Overdues at the close of the year:—				
(a) S.T. & M.T. loans	2278·65	2689·71	3770·13	4399·00
(b) Long-term loans ..	33·72	39·91	50·21	63·98
5. Percentage of overdues to demand:—				
(a) S.T. & M.T. loans	25·90	21·80	23·10	21·30
(b) Long-term loans	24·90	24·70	26·00	27·00
6. Percentage of overdues to outstandings:—				
(a) S.T. & M.T. loans	21·30	19·10	21·20	20·20
(b) Long-term loans	2·60	2·10	2·60	2·60

It will be seen that the position of overdues in respect of cooperative lendings was almost at the same level throughout the four year period, the range of variation in relation to the demand being 21·3 per cent to 25·9 per cent in the case of short and medium-term loans and 24·9 per cent to 27 per cent in the case of long-term loans. In this connection we have to observe that sometimes short-term loans are obtained by agriculturists for meeting their requirements of medium-term loans, because the societies are not in a position to provide medium-term loans to any appreciable extent due to limitation of medium-term resources. Similarly medium-term loans are obtained for long-term investments either because of the absence of a strong long-term financing agency or because of the comparatively easier procedure for obtaining medium-term loans. In both cases the management of the society which is in

the know of the actual facts does not press for the repayment of the full amount, nor does the central bank so long as the society as a whole is not in arrears in the bank's books.

28. *Interest rates*

28·1. The rate of interest charged by government on takavi advances varies from State to State. Cooperative loans also carry interest at different rates in different States. The interest rates charged to the ultimate borrower on takavi and cooperative loans in the different States have been indicated below:—

State	Rate of interest on takavi loans	Rate of interest on cooperative loans.
Andhra Pradesh	Short & medium-term 6% Long-term 5¼%	Andhra Region:— Short & medium-term 7% Long-term 6¾%. Telangana region:— Short & medium-term 8% Long-term 6¾%
Assam	Short-term 6½% Medium & long-term 5½%	Short & medium-term 7½% Long-term 6½%
Bihar	Short & medium-term & Long-term 6¼%	Short-term & medium-term 7¼% Long-term 7%
Gujarat	4½ to 5½%	Short-term 8% (6¼% in some cases) Medium-term 7%. Long-term 7¼%.
Jammu & Kashmir 4½%		Short-term & medium-term 6¼% (no L.M.B.)
Kerala	3 to 5%	Short & medium-term 9% on loans issued out of owned funds. Short-term 6¾%, Medium-term 7%, Long-term 6½% } On loans issued out of funds obtained from R.B.I.
Maharashtra	4½%	Short & Medium 7 13/16% Long term 4½% on loans for government schemes. 7¾% on loans for other purposes.
Madhya Pradesh	4½% to 7%	Short & long-term 9% Medium-term 9½%
Madras	5½%	Short-term 6¼% Medium-term 7·2% Long-term 6 to 6¾%
Mysore	6½%	Short & medium 6¼% to 9 3/8% Long-term 7%
Orissa	5½% to 6¼%	Short-term 7 to 7½% Medium-term 7½% to 8½% Long-term 7%
Punjab	5½%	Short-term and medium-term 7 13/16 to 9 3/8% Long-term N.A.
Rajasthan	Short-term and medium-term 5½% Long-term 6½%.	Short and medium-term 6¼ to 7½% Long-term N.A.
Uttar Pradesh	5½%	Short-term 5 to 9% Long-term 7—8¾%
West Bengal	5%	Long-term 8% Short & medium-term 6¼ to 9%

The above data shows that the interest rates on takavi loans are invariably lower than the interest rates on cooperative loans. This is true in respect of Union Territories also. Government does not recover all the overhead and risk charges on their lendings. Further, a part of the funds utilised for advancing loans is derived from the normal revenues of government, on which no interest has to be paid. Cooperatives on other hand, have to fix their lending rate after adding the overhead and risk charges to the cost of the funds raised by them from various sources.

28·2. In this connection, it may be mentioned that the Mehta Committee has observed in Chapter XI of its report that what counted with the cultivator was not so much the rate at which he obtained credit from his society, so long as it was reasonably, as its adequacy and timeliness. The Committee, however, emphasised that the rate should be fixed with due regard to its cost to the ultimate borrower, the market rates and the need of the cooperatives to attract larger funds by way of deposits etc. Even in the case of short-term and medium-term loans, for which part of the finance is available from the Reserve Bank of India at concessional rates, the cooperatives are not in a position to lend to the ultimate borrower at less than 6¼ per cent in any State.

29. *Channelling of takavi loans through Cooperatives—experience in some States*

As indicated earlier in this Chapter the scheme of channelling takavi loan through cooperatives has been implemented on an experimental measure in the States of Andhra Pradesh, Assam and Madhya Pradesh. A brief account of the working of the scheme in these States is given below:—

(*i*) *Andhra Pradesh*—The Government of Andhra Pradesh sanctioned in 1958-59 the implementation of the scheme in one block in each of six selected districts in Andhra area where the cooperatives were well developed to meet the short-term requirements of the agriculturists. The scheme envisaged stoppage of all short-term takavi loans in these six blocks. The scheme also provided for the loaning of the funds available with the Revenue and Agriculture departments and the block authorities for the purpose of issuing short-term takavi to agriculturists to the cooperative central banks serving these blocks if needed, at 5¼ per cent interest on condition that the central banks issued loans to the ultimate borrowers at 6¼ per cent, which was the rate of interest then being charged by the cooperatives. This left only a margin of 1 per cent for the central bank and the primary credit societies together. Even though the central banks which were sufficiently strong provided additional funds to the cooperative societies in the selected six blocks, they did not utilise government funds for meeting the demands of cooperative societies, as the margin was considered to be too inadequate to meet the overhead charges. Only one bank obtained a loan from government under the scheme. The loan amount, namely, Rs. 60,000 however, was refunded to government in a short time. Another bank applied for a loan from government, which was sanctioned but not drawn. The view expressed by the cooperators of Andhra Pradesh is that, unless government funds are made available to the central banks at such a rate of interest as will ensure at least 3½ to 4 per cent margin

between the central banks and primary credit societies, it would not be possible for the central banks to utilize government funds under this scheme. The Andhra Pradesh Government has, however, decided to extend the scheme to five more blocks in the remaining five districts of Andhra region. The result of the implementation of the scheme in Andhra Pradesh is that the short-term government funds which were available to the agriculturists of the selected blocks as takavi are no longer available to them and that the co-operatives in the blocks have to bear additional responsibilities without obtaining the benefit of government funds to supplement their resources.

(*ii*) *Assam*—The Assam Government in 1959 decided to route all takavi loans for production purposes through cooperatives. According to this decision government funds earmarked for advancing loans to agriculturists for production purposes and for distress were to be placed at the disposal of the cooperatives for distribution among agriculturists according to the terms, conditions and procedures prescribed by government. In 1959-60, government made available Rs. 57·50 lakhs (40·68 lakhs for short-term purposes and Rs. 16·82 lakhs for medium-term purposes) and in 1960-61 Rs. 70 lakhs (all for short-term purposes), for distribution through cooperatives. Government funds were placed at the disposal of the apex cooperative bank at 4½ per cent interest. The ultimate lending rate is 7½ per cent which is the normal economic lending rate of the cooperatives. Separate accounts are maintained for loans advanced out of government funds and all collections on this account are passed on to government. The responsibility for the recovery of all takavi loans including the loans for distress is that of the cooperative structure.

The scheme of channelling of takavi loans through cooperatives, as it is in operation in Assam, has affected cooperatives adversely. Takavi instalments have been defaulted by most of the loanees but effective measures for recovering takavi dues are not resorted to for a variety of reason . Because recovery of takavi loans issued by cooperatives is no being enforced, cooperatives are finding it difficult to recover their normal dues, as the agriculturists do not make any distinction between takavi loans and normal cooperative loans. As a result, overdues of cooperative loans have increased substantially. This has affected the credit-worthiness of the cooperative structure for the purpose of obtaining loans from the Reserve Bank of India. Another difficulty experienced in Assam is that whenever an agriculturist repays some money to the cooperative, he cannot specify the share to be allocated to takavi and cooperative dues, with the result that the cooperative has to apportion the money between the two categories. Such apportioning by the cooperative is always subject to criticism by government authorities.

(*iii*) *Madhya Pradesh*—The old Madhya Pradesh State had appointed a committee to study the system of takavi and to recommend the policy to be followed in the matter of disbursement of takavi loans. This committee recommended, inter-alia, channelling of takavi loans through cooperatives. The new Madhya Pradesh State accepted this recommendation of the committee and a scheme of channelling takavi loans through cooperatives was introduced in 7 districts with effect from 1st April 1960. The scheme is being extended to 16 more districts. According to the scheme under implementation short-term loans for all production purposes and medium-term loans for certain specified

purposes are to be provided to the agriculturists exclusively by the cooperatives. Government funds earmarked for advancing loans for these purposes are being placed at the disposal of the Registrar of Cooperative Societies for disbursement to the apex cooperative bank according to requirements. The apex bank is to pay to the State Government interest at 4 per cent per annum. The rate of interest at which funds are ultimately advanced to the borrower is to be the economic lending rate of the cooperatives, which is about 9 per cent. During 1960-61, the apex bank drew Rs. 38·23 lakhs (all medium-term funds) and during 1961-62, it drew short-term funds totalling Rs. 19·88 lakhs and medium term funds totalling Rs. 17·75 lakhs. Some difficulties are being experienced in implementing the scheme in its present form. Firstly, government funds are made available in August or September and they are to be utilised before the close of the financial year. Agriculturists require funds from February to May. Consequently the central banks have to advance funds to cooperatives from their own resources and wait for a few months to recoup such advances. Further, till the allotment of government funds is made and communicated, the central banks have no idea of the volume of the funds that would be allotted and, invariably, the allotments are much less compared to the funds advanced by them to the cooperatives. Thus the implementation of the scheme results in a great strain on the resources of the banks. Secondly, wherever this scheme is implemented, cultivators are not getting government loans, which are at a cheaper rate of interest and they are, therefore, at a disadvantage compared to farmers of other areas. Thirdly, government loans for certain specified purposes have an element of subsidy attached to them. Such loans also are routed through cooperatives in the districts where the scheme is being implemented. Difficulties have arisen in regard to the distribution of this subsidy through cooperatives as they are distributing loans for the same purpose out of their own funds as such cannot show any discrimination between two categories of borrowers—one, who have received loans from the funds of the cooperatives and the other who have received loans from the funds allotted by government to the cooperatives. Fourthly, according to the terms agreed to between the government and the apex bank at the time of introducing the scheme, the apex bank has to pass on government funds to central banks at 4½ per cent per annum. This leaves only ½ per cent margin to the apex bank, which is regarded by it as in ufficient to meet its overhead charges. The central banks get government funds at a rate of interest which is higher than the rate at which they get funds from the Reserve Bank of India by 3/4 per cent in so far as medium-term funds are concerned; but they are to charge a uniform rate of interest on all medium-term loans issued to primary societies. Thus the margin which they get on government funds is comparatively less and they feel that the margin allowed to them on government funds should be the same as that allowed on reserve Bank of India funds.

30. *Special schemes of other States*

(*i*) *Maharashtra and Gujarat*—In Maharashtra and Saurashtra region of Gujarat State the scheme of providing funds to agriculturists for constructing wells, repairing wells and installing pumping sets have been transferred to the

land mortgage banks for implementation. The land mortgage banks under this arrangement find necessary funds for implementing the schemes from their normal channels, but agriculturists get credit at an interest of 4½ per cent per annum. The State Governments subsidise the land mortgage banks at 2½ per cent to cover the difference between their economic lending rate and the interest rate fixed by government. This scheme which was introduced during the Second Five Year Plan period, has been found to be very successful and is being continued in both States in the Third Five Year Plan with some modifications in regard to rates of interest to be recovered from the borrowers in Gujarat State.

(*ii*) *Madras*—In 1956-57, Madras Government undertook the implementation of a scheme known as the 'full finance scheme' to bring about a more rapid expansion of cooperative credit and other services in two selected blocks. The objective of the scheme was to make the cooperatives, as quickly as possible, the sole suppliers of production and marketing credit to the agriculturists of the selected blocks. Coverage of all the villages in the blocks by cooperatives was immediately achieved either by organising new societies or by extending the jurisdiction of existing ones and efforts were made to see that at least one person from each family is enrolled as a member of the cooperative. The cooperatives made an estimate of the credit needs of the villagers for agricultural production and allied purposes and increased their lendings according to a phased programme which aimed at providing in a few years the entire short-term and medium-term credit required by the villagers.

The working of the scheme produced encouraging results. The scheme was therefore extended to seven more blocks in 1958-59, six more blocks in 1959-60 and to another six blocks in 1960-61. When the Intensive Agricultural District Programme was introduced in twenty two blocks of Tanjore District in 1960-61, the full finance scheme was under implementation only in two of these twenty-two blocks. *

In the context of the extension of the full finance scheme the question as to whether it was necessary to continue the system of takavi loans was examined by the State Government and, in December, 1958, it was decided that in areas where the full finance scheme is in operation, no takavi loans need be issued. Subsequently, the question was re-examined and a decision was taken that government may continue to issue those types of takavi loans which carried an element of subsidy or technical supervision in the full finance scheme areas as well. The types of loans being issued directly by government are the following :—

(*i*) Loans under the well scheme for sinking or deepening of wells.

(*ii*) Loans for construction of model cattle shed-cum-compost pits.

(*iii*) Loans under the horticultural development scheme.

(*iv*) Loans under the cashewnut development scheme.

(*v*) Loans under the filter point well scheme.

(*vi*) Loans under the soil conservation scheme.

(*vii*) Loans under the hire-purchase scheme for the supply of oil and electric motor pumpsets to ryots.

* The scheme was, therefore, extended to the remaining twenty blocks.

(*viii*) Loans under the tractor hire purchase scheme.

(*ix*) Loans under the green manure seed farm scheme.

These schemes envisage supervision and technical advice by the agriculture department.

(*iii*) *Uttar Pradesh*—The Government of Uttar Pradesh have accepted the policy of strengthening cooperatives and have discontinued, as a first step, disbursement of short-term takavi in areas covered by community development blocks. In areas not covered by blocks or where cooperatives are yet in a nascent stage, the disbursement of short-term takavi through the revenue agency has been continued. Medium-term takavi has also been continued, as medium-term cooperative finance has so far been very limited. So far as long-term takavi and specially that or minor irrigation schemes, is concerned, it has been decided that such cane unions as are found to be suitable by the Cane Commissioner, should be allowed to handle the entire loaning under the community development and grow more food programme in their respective areas and within such limits as may be prescribed by the Cane Commissioner. In villages in which the Unions are not in a position to take up these long-term loans, takavi will be distributed by the block agency. This is being done pending development of land mortgage banking facilities in the State. The State Central Land Mortgage Bank has recently been set up and there is a programme for the setting up of branches of the Central Bank or the establishment of district primary land mortgage banks at important centres during the Plan period.

CHAPTER IV

NEED AND SCOPE FOR CHANNELLING TAKAVI LOANS THROUGH COOPERATIVES

31. *Overlapping between takavi loans and cooperative credit*

31·1. Cultivators, generally, borrow funds from the following six agencies for seasonal agricultural operations, improved methods of cultivation, purchase of bullocks, improvements of land etc. :—

(*i*) Government ;

(*ii*) Cooperative institutions;

(*iii*) Commercial banks;

(*iv*) Agriculturist money lenders and land-lords.

(*v*) Professional money lenders, traders and commission agents; and

(*vi*) Relatives and others.

Of these, only the first three, viz. government, cooperatives and commercial banks are institutional agencies. The Committee of Direction, appointed by the Reserve Bank of India in 1951 to undertake an all-India rural credit survey, estimated that, while the government and cooperatives contributed each a little over 3 per cent of the credit requirements of agriculturists, the share of commercial banks was of the order of only about 0·9 per cent. Over 70 per cent was provided by money lenders. Even though no firm figures are available regarding the present share of the cooperatives, it is estimated that it may roughly be of the order of about 20 per cent. It is not likely that the share of commercial banks in this regard has gone up to any appreciable extent. We have, therefore, ignored the role of commercial banks in respect of rural credit and considered government and cooperative institutions as the only institutional agencies from which cultivators can get substantial amounts for financing their agricultural operations.

31·2. Government advances loans to agriculturists mainly for the following purposes, under normal conditions—

(*i*) Purchase of seeds, manures, fertilizers and cattle;

(*ii*) Bunding and levelling of land;

(*iii*) Undertaking soil conservation works;

(*iv*) Digging and repairing of wells;

(*v*) Installation of pumping sets, persian wheels, etc. ;

(*vi*) Construction and maintenance of irrigational channels;

(*vii*) Reclamation of waste land;

(*viii*) Purchase of agricultural implements and machinery such as tractors;

(*ix*) Adoption of improved methods of cultivation;

(*x*) Adoption of plant protection measures; and

(*xi*) Establishment of orchards.

Government also advances loans to agriculturists for some of these purposes and for the maintenance of their families and cattle under distress conditions created by flood, famine, scarcity, fire, etc. In this Chapter, however, we propose to deal with loans issued under normal conditions only. Loans issued under distress conditions will be dealt with separately.

31·3. In most States, government loans are sanctioned and disbursed by three departments viz. Revenue, Agriculture and Community Development and each of these is empowered to advance loans for most of the purposes mentioned above. Hence, it is possible for an agriculturist in all States to obtain loans from different departments for the same purpose, particularly when the security offered is not the same landed property. In other words, there is scope for overlapping in the system of government loaning.

31·4. From the replies received to the questionnaire (Qn. 3. Part II Procedural) on the problem of coordination effected by various departments in the matter of issue of takavi loans, it was found that there is, in fact, considerable overlapping in the system of government loaning in most of the States.

31·5. Primary agricultural credit cooperative societies advance loans for all short-term and medium-term purposes mainly connected with agricultural operations and, to a small extent for consumption. Loans are given in a few States for meeting social expenses such as education of children and medical expenses. In States like Madras and Kerala, cooperative societies advance small loans for meeting expenses connected with marriages also. Land mortgage banks advance long-term credit, for a variety of purposes such as redemption of old debts, purchase of land, purchase of costly machinery and other equipments, construction of wells, erection of pumping sets, raising of orchards and plantations etc. Thus, the cooperative agency also makes advances to agriculturists for all the purposes connected with agricultural production and land improvement for which takavi loans are being issued. There is, therefore, considerable overlapping between government takavi and the cooperative credit.

31·6. A view was expressed that takavi loans are actually supplementary to cooperative credit and hence there is not much overlapping between takavi and cooperative finance. It is true that government is expected only to supplement the agricultural finance being provided by cooperatives out of their own resources and the finance provided by the Reserve Bank of India. But, in the absence of a clear cut demarcation of such supplemental finance, in actual practice, instead of making takavi advances to supplement the advances made by cooperatives, they cover to a large extent the same field as the cooperatives. There are certain categories of development which require close technical supervision, for which the cooperative agency is not at all equipped and certain others for which the finance is required on special terms and conditions involving postponement of repayment of the loans for considerable periods which the cooperatives are not in a position to provide for at the present stage. Then again there is always room for finance of an experimental and pilot character which can be provided more appropriately by government itself. It would be advantageous if takavi loans are restricted to these purposes, but this has not been done so far. The result is considerable overlapping between the takavi and cooperative credit.

32. *Effects of the overlapping between takavi and cooperative credit*

32·1. Overlapping between takavi and cooperative credit results in the grant of uncoordinated and excessive credit to some persons, particularly to the influential cultivators while denying any credit to some others who may be equally needy but do not command enough influence to get a share in the limited funds that are available for the purpose. Cooperatives provide short-term funds on the security of anticipated crops and the personal security of the borrower and one or two sureties. Sometimes, medium-term funds also are provided by them, upto certain limits, on personal security. For obtaining a loan on personal security or on the security of anticipated crops, a member need not disclose to his cooperatives the amount already borrowed by him from other agencies. Information relating to loans taken by members of cooperatives on the security of anticipated crops and personal security will be available only with the lender societies. Takavi loans are advanced to cultivators on the security of their lands or on personal security depending on the purpose for which, and the circumstances in which such advances are made. While obtaining a government loan it is not obligatory on them to disclose their outside borrowings not secured on land. The officers conducting enquiries on their applications also need not ascertain their outside borrowings, especially those not secured on land, as government automatically will get a first charge on their properties and standing crops by virtue of the provisions for collection of arrears of land revenue; which are applicable under law, to takavi dues as well. Under these circumstances, an agriculturist, who is a member of a cooperative society, can borrow from his cooperative society as well as from government for the same purpose. Such duplicate financing gives scope for misapplication of at least a portion of the funds provided by government or government sponsored institutions. In the context of the objective of maximising agricultural production and the limitation of funds that are available for the purpose, it is necessary to ensure that the loans to agriculturists for production and land improvement purposes are utilised for the purposes for which they are given. This calls for effective measures to avoid duplication in the matter of financing of agriculturists.

32·2. A point has been raised that the existence of an agency competing with the cooperatives in the matter of providing finance to agriculturists would lead to more effective and efficient functioning of the cooperatives. We are not inclined to accept this position. For, neither of the two agencies will then accept the main responsibility to cater to the credit needs of all the credit-worthy agriculturists. If they are allowed to function as competing agencies, even though the element of competition may add to the efficiency of cooperatives, the immediate objective of providing adequate credit to as many agriculturists as possible and to rationalise the use of the limited resources for the maximum benefit of the cultivators will be defeated.

32·3. Another result of the overlapping between takavi and cooperative credit is that it affects adversely the timely recovery of dues to cooperatives in two ways. The recovery of takavi dues is not regular. For a variety of reasons, seasonal and political—there is a marked tendency to go slow on the

part of the borrowers to pay and on the part of the authorities to recover takavi dues. In fact, government has often to go slow deliberately in the matter of recovering takavi dues, as it includes recovery of dues on account of distress loans disbursed with the knowledge that they may not be recovered fully or regularly. Further, if government sanctions postponement of takavi dues on account of natural calamities or other reasons, the borrower will not pay cooperative dues even if he has some surplus produce on the presumption that the cooperative will automatically sanction extension of time for paying the amounts due to it. In certain years, however, there is a spurt in the activity to recover government dues. Government officers, who are empowered to resort to coercive processes for recovering dues to government, threaten and even resort to these measures. In these circumstances, a person who does not have enough surplus income to repay the dues to government and the cooperative, pays off whatever he can to government and defaults payment of the amount due to his cooperative. Once the overdues increase, cooperatives will not be able to obtain adequate funds from the central financing agencies for advancing loans during the next season, as increase in overdues reduces their credit-worthiness. Hence from the point of view of recovery of cooperative dues also, duplication in financing of agriculturists needs to be avoided.

32·4. The duplication in providing finance to agriculturists can be avoided only in one way, namely by entrusting the work to a single agency in so far as the requirements for normal agricultural pursuits are concerned. The problem, therefore, is that of deciding which is the most suitable agency to which this work can be entrusted exclusively subject, of course, to certain purposes for which supplemental finance may be provided by the other agency.

32·5. The suitability of takavi system for providing adequate credit to agriculturists has been examined by various committees. We invite attention to the recommendations of a few authoritative committees of the past. The Indian Central Banking Enquiry Committee stated that it was out of question for government to provide the whole of the loan requirements of the agriculturists and that sporadic attempts on the part of government to supply a fraction of such requirements were bound to meet with failure. The Agricultural Finance Sub-Committee (1944) indicated that for obvious reasons government could not be the agency to provide all the credit required by agriculturists and that the system of takavi was closely connected in its origin and operation with times of distress or famine and held that it should continue to be so. The Rural Credit Survey Committee (1951) recommended that government finance should be strictly limited, subject to transitional exceptions, to periods of widespread distress on the ground that any large institutional development on the part of government for the purpose of providing adequate and timely credit to millions of agriculturists individually will be completely beyond their administrative and financial resources.

32·6. We are convinced that this is the right approach in so far as government finance for current cultivation and land improvement purposes is concerned. The cooperative method of financing agriculturists has the further

advantage that it can command the services of honorary workers, mobilise local resources allow opportunity for direct participation by the persons affected and at the same time build up a popular and permanent credit organisation. Cooperatives should, therefore, be accepted as the main institutional agency to provide credit to agriculturists for normal production and land improvement purposes. There are certain purposes such as contour bunding, reclamation of waste land, etc. which call for close technical supervision and guidance for which the cooperatives are not equipped and as such it will not be feasible for cooperatives to provide finance for implementing them. There are certain other schemes such as establishment of orchards and plantations, for which loans have to be provided for very long periods. Further, it may not be possible for the borrowers to begin repayment of such loans till the orchards or plantations start yielding income. The nature of the funds available to cooperatives does not at present permit loaning for such longer periods and to permit postponement of the instalments till the investments begin to yield income. There is yet another category of schemes of an experimental and pilot nature such as reclamation of saline land or installation of tube wells in areas where the quality of water is not definitely known. Financing of such schemes is particularly risky. Cooperatives will not be in a position to finance such schemes, particularly because they cannot be sure of timely repayments. Under these circumstances, government will have to continue to finance agriculturists for implementing the different categories of schemes mentioned above except where even these schemes could be conveniently undertaken by land mortgage banks with the assistance of the technical departments of the State and it is possible to issue special types of debentures.

33. *Programmes of agricultural production*

33·1. The Third Five Year Plan envisages a total increase of about 30 per cent in the production of food grains and other important agricultural commodities over the Plan period. Increased production of the order envisaged in the Plan, it has been stated, can take place only if the various development programmes are carried out effectively. With little new land left to be brought under cultivation increased production must, for the greater part, take place on holdings already cultivated. This can be achieved only through intensive utilisation of land by using better seed, more water, more fertilizer and improved implements, by adopting effective plant protection measures and better techniques of cultivation and by levelling and bunding of lands when necessary. The pattern of agriculture in India being through small individual farmers there is need to provide credit to the farmers commensurate with the plans of increased production. Part of the cost, as in irrigation, will no doubt be borne by the State, but for the rest, most cultivators will have to be helped. Such credit will have to be in addition to what the cultivator was borrowing in the last year of the Second Five Year Plan. No official assessment is available of the total volume of funds which the agriculturists borrowed during the last year of the Second Five Year Plan. The All India Rural Credit Survey Committee assessed in 1951-52 that agriculturists might have been borrowing every year by way of short, medium and long-term loans about Rs. 750 crores. No exact indication of the quantum of credit that will have

to be provided to the agriculturists to achieve the targets of agricultural production is available in the Third Five Year Plan. However, the broad magnitude can be visualised from the contribution expected out of agricultural sector towards increase in the national income during the Third Plan. The addition to the national income during the Third Plan has been estimated to be of the order of Rs. 4,500 crores of which about Rs. 1,700 crores are expected to be contributed by the agricultural sector over and above its contribution to the national income at 47 per cent of the total in the last year of the Second Plan. The investment needed to produce the expected additional income will doubtless depend upon the input output ratio which for the plan as a whole is 2·3. It is difficult to work out the ratio separately for the agricultural sector because of its unorganised condition. The provision of agricultural credit will nevertheless, have to match the investment required to produce the anticipated additional national income from the agricultural sector.

33·2. The Government of India appointed in 1958, a Working Group for considering the administrative and organisational arrangements required for implementing the November 1958 Resolution of the National Development Council on Cooperative Policy. The Group estimated that on the basis of an average holding of 4 to 5 acres the production credit requirements of a member, at the rate of Rs. 40 to Rs. 50 per acre, would be of the order of Rs. 200. In the Third Plan it has been indicated that the gross acreage sown in the country will increase to about 400 million acres by 1965-66. The increase in the acreage sown as well as in the area under irrigation, rise in the prices of agricultural requisites and adoption of improved methods of cultivation will result in further enhancement of the requirements of production credit. In Maharashtra and Gujarat where the scheme of integrated agricultural credit is in operation the average lending per member of a cooperative is already of the order of Rs. 240 for short and medium-term purposes. This is expected to go up to about Rs. 275 by 1965-66. The average institutional credit required by an agriculturist in the Intensive Agricultural District Programme areas also has been estimated at about Rs. 240. Based on these indications the total institutional credit required by the estimated number of agriculturists families in the country viz. 65 million is likely to be of the order of Rs. 1,600 crores for short and medium-term purposes. Besides these, long-term improvements on land, etc., will require additional finance. The introduction of land reform measures has adversely affected the marketability of land with the result that the private sources of agricultural finance have become more selective, restrictive and costly. Hence a large majority of the cultivators has to look to the cooperatives or government for obtaining its credit needs. Cultivators, however, may be able to obtain a part of their requirements from private sources such as relatives and, to that extent, their demand for loans from government or cooperatives will be reduced. The quantum of funds that can be obtained from private sources, however, is on the decline and the terms on which such credit may be available more onerous.

34. *Limitation of funds*

The outlay earmarked in the Third Plan for schemes of agricultural production together with the funds that will be made available by cooperatives is expected to be sufficient to achieve the targets of agricultural production.

The outlay earmarked for programmes of agricultural production is of the order of Rs. 1,281 crores which has been broken up as under :—

	(Rs. in crores)
Agricultural production	226·07
Minor irrigation	176·76
Soil conservation	72·73
Cooperation	80·10
Community Development (agricultural programmes)	126·00
Major and medium irrigation ..	599·34
Total ..	1,281·00

A large part of this outlay of Rs. 1,281 crores is intended for expenses on establishment, training schemes, major irrigation projects etc., which are to be implemented directly by the State, and as such only a small part of it will be available for making advances to agriculturists. In fact, the loan content of the Third Five Year Plan schemes of all States is estimated to be of the order of only Rs. 160 crores. Non-Plan provision for distress and production loans may amount to Rs. 60 crores. The cumulative total of government loans to be granted to agriculturists during the Third Plan period thus aggregates to Rs. 220 crores. This amount is inclusive of the loans to be given by the community development organisations from the block funds and cost of contour bunding programmes executed by the departmental agencies which is apportioned among the beneficiaries and recovered from them as loans. The grant of loans to agriculturists under the Plan programmes in the final year of the Third Plan is projected to be of the order of about Rs. 41 crores. On normal considerations, a sum of Rs. 14 crores may be provided for relief of distress and non-plan advances for agricultural production. The cooperatives which advanced Rs. 203 crores by way of short and medium-term loans and about Rs. 12 crores by way of long-term loans during the last year of the Second Plan, are expected to increase their advances substantially so as to provide short-term and medium-term loans of the order of Rs. 530 crores of which Rs. 110 crores would be accounted for by medium-term loans and long-term loans (outstandings) of the order of Rs. 150 crores during the last year of the Third Plan. Assuming that these expectations fructify, the quantum of credit that will be made available to the agriculturists even in the last year of the Third Five Year Plan will be only a portion of the credit required by them. In the Third Five Year Plan, an assurance has been given that if for achieving the targets of production additional resources are found necessary, those will be provided as the Plan proceeds. It should be possible to provide some more resources for implementing agricultural production programmes as the Plan proceeds, but we are not sure whether the provision of additional resources will amount to any sizeable figure even during the last year of the Plan in view of the various competing demands on the limited resources of the nation. The problem, therefore, is that of achieving maximum results within the limitation of available resources. It is on this ground that we

mentioned earlier that no efforts should be spared to rationalize the allocation of funds for different purposes and to see that the funds made available to the agriculturists for implementing the schemes of agricultural production are properly utilised.

35. *Conditions and stages of withdrawal of government finance*

35·1. We have earlier in this Chapter indicated that the most suitable agency for financing agriculturists is the cooperative structure. This does not mean that government should discontinue issuing of takavi loans forthwith and pass on the entire responsibility of meeting the credit needs of all agriculturists to the cooperatives. One of the conditions for the successful operation of a cooperative is that agriculturist producers, whom it finances, should be in a state of normal solvency. It is only government who can discharge the overall responsibility to maintain agriculturists, as a class, in a state of reasonable solvency. It is, therefore, assumed that the state would intervene and take the necessary measures to reduce the risks inherent in the economic life of the cultivators to a level which cooperatives can reasonably be expected to shoulder. Cooperative structure is not sufficiently developed in certain parts of the country and even in areas where it is sufficiently developed, it does not always have adequate funds to meet all credit requirements of all the agriculturists. If, under such circumstances, government stop issuing takavi loans and utilise the funds available with them for making advances to agriculturists for other purposes, the result will be that of depriving the agriculturists of the credit that would have been available to them at a time when the cooperatives are not in a position to meet their production requirements fully. This will defeat the main purpose of giving adequate finance for production to all the agriculturists in need thereof. It is necessary therefore to evolve an arrangement under which government funds can be made available to the agriculturists without foregoing the advantages of production credit through cooperative agency.

35·2. This arrangement can only be the one under which government funds earmarked for making advances to agriculturists are utilised for supplementing the resources of the cooperatives and cooperatives are accepted as the only institutional agency to provide agricultural finance except for certain purposes reserved for government finance from time to time. When cooperatives become the sole agency to provide production finance to agriculturists, all of them who are in need of such credit will have to join the cooperatives if they have not already done so, which process will accelerate the achievement of the objective of bringing into the cooperative fold all the rural families as early as possible. Such a step will also, incidentally, help in building up a strong cooperative credit structure with the additional resources collected from new members.

35·3. The cooperative movement is not uniformly developed in all States. Two distinct types of cooperative financing institutions have been developed for providing agricultural finance, namely, one dealing with short and medium-term credit and the other dealing with long-term credit. While in some States both the types have developed well, in others only the structure for providing short and medium-term credit has developed sufficiently. In some States,

even the structure for short and medium-term financing this week either throughout the State or in parts of the State. In view of this position, while it may be possible to entrust the work of providing agricultural finance to cooperatives for all purposes excepting those of a pilot character, requiring close technical supervision and guidance and involving excessive financial risks which cooperatives would not be in a position to finance under existing circumstances, in others it may be possible to entrust the work to cooperatives only in regard to short and medium-term loans. In a State where the structure for short and medium-term financing itself is weak, it may not be advisable to devolve more responsibility on it. In a State where this structure is weak only in parts of the State, it would be advisable to entrust the work of supplying short and medium-term credit exclusively to cooperatives in those parts where the structure is adequately strong. We shall be reverting to this point in greater detail in the next chapter.

36. *Scope for channelling government loans through cooperatives*

36·1. The recommendation of the National Development Council that by making takavi loans and other facilities available to individuals through cooperatives, conditions should be created in which every peasant and rural worker will find it to his advantage to join the village cooperative, has been interpreted differently by different States. Assam, for instance, makes available to the agriculturists even distress takavi loans through cooperatives in such a way that cooperatives are only agents of government in the matter of disbursement and collection. The ultimate lending is to be done according to the terms, conditions and procedure stipulated by government. The responsibility of the cooperatives in regard to repayment of the loans routed through them is only to pass on to government the amounts repaid to them by individual loanees. The borrowers have not been able to appreciate the differnce between distress loans and production loans and this has resulted in heavy overdues in the cooperative credit structure. Madhya Pradesh State Government is implementing this recommendation in a different way. Government funds, earmarked for issuing loans to agriculturists of the districts where the scheme is being implemented, are allotted to the central cooperative banks concerned through the apex cooperative bank. Loaning to individuals is to be done according to the rules and procedure laid down by the cooperatives in respect of their normal lendings. The only condition laid down by government is that cooperatives should utilise the funds drawn by the central cooperative banks through the apex cooperative bank fully before the close of the year of drawal. Repayment of government funds is not related to the recoveries effected. In effect, the State Government, therefore, acts as the supplementary credit agency of the cooperative credit structure. Andhra Pradesh has passed on the responsibility to provide short-term credit to agriculturists of selected areas to cooperatives. Government funds earmarked for making advances to agriculturists of these areas are loaned out to the central cooperative banks serving these areas if they need them. The cooperatives are free to lend according to their own rules and procedure but the ultimate lending rate has been fixed by government.

36·2. In view of the different procedures adopted by different states it is necessary to evolve a more uniform method for routing government loans

through cooperatives. Eminent cooperators and officials of State Governments have generally expressed the view that funds available with Government for advancing loans to agriculturists for production and land improvement purposes should be loaned to cooperatives for supplementing their resources without attaching conditions relating to individual lendings. Government can, if they so desire, stipulate that the funds made available by them should be utilised for making advances for certain specified purposes and/or areas. The ultimate lending rate may be the economic lending rate of cooperatives in so far as short and medium-term loans are concerned. Long-term loans are required by agriculturists mainly for undertaking developmental works on their lands. At the current level of prices and techniques of development investment costs on land development works are rather heavy and it is not certain that the developed land will yield sufficient income to enable the agriculturists to repay the loan even over a period of years. In view of this position, they felt that long-term loans should be made available to agriculturists at a reasonable rate of interest which is comparable to that on takavi loans and loans advanced for the development of other industries and for financing other Plan schemes. Land mortgage banks will not be in a position to advance loans at such a reasonable rate of interest. It has therefore been suggested that government should enable them to lend at such a rate of interest by providing financial assistance to cover a part of their overhead and risk charges.

36·3. A view was expressed that if takavi loans are to be fitted into the cooperative pattern, a lot of difficulties will crop up, which it may not be possible to overcome in a short time. Hence, in the first instance, cooperatives may take up issuing of takavi loans on an agency basis. The agriculturists should continue to get all the advantages attached to government loans, the only additional condition to be satisfied by them should be that of joining as members of cooperatives. Cooperatives need take up only the management of the loans. They need not bear the risks involved. Government should pay to the cooperative management charges. This arrangement may be worked out at the level of central cooperative banks or institutions below them. The question of fitting takavi loans into the cooperative pattern can be taken up straightaway in areas where cooperative movement is strong and elsewhere at a later stage. The only State where such an arrangement has been tried is Assam and the results are, as we indicated in the previous Chapter, unsatisfactory. The disadvantages of this arrangement are mainly the following :—

(*i*) A cooperative society will be advancing two categories of loans under this arrangement, viz. takavi loans carrying a concessional rate of interest and normal loans carrying a higher rate of interest viz., its economic lending rate. The agriculturists are not in a position to understand the reasons for issuing these two categories of loans. This will therefore make them feel that their cooperative is giving preferential treatment to some of them, viz. those to whom government loans are made available. Such a feeling will affect the loyalty of such of the members who do not happen to get government loans towards their cooperative which will in turn affect the smooth working of the cooperative itself.

(*ii*) Under this arrangement, a member of a cooperative will get a government loan for one purpose and a normal loan for another purpose. While

affecting recoveries, the cooperative will have to apportion the amount realised between the two loans and this will lead to operational difficulties for the cooperative.

(*iii*) If for some reason government sanctions postponement of the recovery of loan instalments, cooperatives will automatically have to postpone the recovery of their normal dues as it will be not possible to make the agriculturists understand the distinction between the two categories of loans and pay the dues on account of the normal loans. If a cooperative takes steps recover their normal loans and postpone the recovery of the Government loans inspite of the fact that both were issued by it and that postponement of recovery of Government loans has been sanctioned for giving some relief to the agriculturists, it will amount to discrimination as in item (*i*) above. Further, when the postponement of recoveries has been effected in the case of government loans, whether the society postpones recovery of the dues on account of its normal lendings or not, overdues will mount up and this will make it impossible for it to obtain funds from normal sources to make advances in the next season.

36·4. The balance of advantage therefore lies in the system of utilising the funds available with government for the purpose of making advances to agriculturists for production and land improvement purposes for supplementing the resources of cooperatives. Subject to general policy directives, cooperative should be left free to make loans to individuals in accordance with their normal lending rules and they should also undertake the risk involved in effecting the recoveries as in the case of loans made with their other funds.

CHAPTER V

SPECIFIC ISSUES AND RECOMMENDATIONS

37. *Cooperatives—the main agency*

37·1. We have in Chapter IV discussed the effect of duplication prevailing in the matter of providing credit to agriculturists for production and land improvement purposes and stressed the need to avoid it for achieving proper utilisation of the credit in the interest of maximising agricultural production. We have also indicated that for ensuring this the function of financing agriculturists for production and land improvement purposes should in the main be entrusted to a single institutional agency. The suitability of the takavi system for undertaking this work was considered by a number of committees in the past. In the light of the recommendations made by them and from the examination of its operations by us, we have come to the conclusion that it will not be possible for government to cater directly to the business needs of several millions of agriculturists. The only other institutional agency which can be considered for undertaking this work is the cooperative agency. Is it capable of shouldering this responsibility? If so to what extent?

37·2. Takavi operations of all the States were of the order of Rs. 18·6 crores a year at the commencement of the First Five Year Plan. The volume of takavi advances during the last year of the Second Five Year Plan was of the order of Rs. 41 crores. The increase in the annual takavi operations over the two Plan periods is, therefore, only about Rs. 22·4 crores. The indications are that the increase in takavi operations during the Third Five Year Plan will be about Rs. 14 crores. The outstandings of takavi loans in 1960-61 amounted to about Rs. 140 crores. The cumulative total of takavi disbursements during the entire Plan period is likely to be Rs. 220 crores—Rs. 160 crores under various Plan programmes and Rs. 60 crores under non-Plan outlay from year to year. The achievements of cooperatives in the field of credit to agriculturists have to be viewed against this background. As against Rs. 22·9 crores advanced in 1950-51, the cooperatives advanced to agriculturists, in 1960-61, Rs. 202·74 crores for short and medium-term purposes. The increase is thus Rs. 179·84 crores. The target laid down in the Third Five Year Plan for provision of short and medium-term credit to agriculturists by cooperatives, during 1965-66, is Rs. 530 crores. In other words, the increase visualised during the Third Five Year Plan period is about Rs. 328 crores. It is thus clear that co-operatives are assuming progressively a more dominant role in providing credit to agriculturists. While the scope for expanding takavi operations is limited, co-operative credit has reached a stage of rapid expansion. The annual rate of growth of service co-operatives in 1960-61 amounted to the addition of Rs. 12 crores to their owned funds, thirty five lacs agriculturists to their membership and an increase of about Rs. 35 crores in the amount of loans advanced to cultivators. The step up envisaged in the Third Plan is of the order of an annual addition of 45 lacs of agriculturists to membership and an increase of Rs. 45 crores in advances every year.

37·3. We, therefore, recommend that cooperatives should be accepted as the institutional agency to provide credit to agriculturists for normal production and land improvement purposes subject to cetrain exceptions and that government should discontinue the issue of such loans to them directly. There are certain purposes, areas and classes of people for which because of the technical nature of the operations or the financial risks involved or delayed returns on investment or the weak character of the cooperative institutions, government will have to continue to provide finance directly to agriculturists. We would, however, like to reiterate that where the class of people and the purposes for which government finance and cooperative credit are given are identical and cooperatives are sufficiently developed, government should withdraw from the field of agricultural finance. The responsibility to provide the entire finance required by agriculturists for normal production and land improvement purposes, excluding those purposes which it will not be possible for them to the finance for special reasons should, therefore, be transferred to the cooperatives according to a phased programme. An indication of such a phased programme is proposed to be given after examining the strength of the cooperative structure in the different States.

37·4. The objective of maximising agricultural production can be achieved only if timely and adequate credit is provided to agriculturists and as such concentrated efforts have to be made to enable cooperatives, which are already providing substantial loans to agriculturists and which have undertaken programmes of rapid expansion, to do so. We have indicated in the previous Chapter that when cooperatives become the sole agency to provide credit to agriculturists for normal production and land improvement purposes, the funds available with government for making advances to agriculturists for these purposes should be utilised to supplement their resources. In this connection we would like to stress that after transferring to the cooperatives the responsibility to finance agriculturists government should continue to make budgetary provisions in an increasing measure for financing agriculturists and utilise such provisions for strengthening the resources of cooperatives. We would also like to emphasize that all development departments of government should, similarly, continue to provide the technical guidance and other assistance that will be required in preparing and processing applications for loans.

38. *Adequacy of cooperative structure*

38·1. Under the terms of reference, we have to examine, among other things the adequacy of the cooperative institutional structure and to suggest changes if any for facilitating the supply of the takavi loans through cooperatives. As is well known, the cooperative credit structure has two distinct branches; one for providing short-term and medium-term credit and the other for long-term financing. We, therefore, propose to deal with these two branches separatetly.

(i) *Institutional structure for providing short-term and medium-term credit*—

38·2. The pattern of organisation in each State consists of an apex cooperative bank at the state level, central cooperative banks at the district level, and the primary credit societies at the village level.

38·3. *State cooperative banks*—Consequent on the reorganisation of States, Maharashtra and Andhra Pradesh had more than one apex cooperative bank each. The apex banks that were in existence in Maharashtra have already been amalgamated into a single bank for the State. Proceedings for the amalgamation of the Andhra State Cooperative Bank and the Hyderabad State Cooperative Bank into the Andhra Pradesh State Cooperative Bank are under way and the amalgamated bank is expected to come into being shortly. When this change is completed there would be one apex cooperative bank for each State and Union Territory in the country.

38·4. There has been considerable improvement in the financial position of the state cooperative banks during the First and Second Five Year Plan periods as will be seen from the table given below:

(Rs. in lakhs)

Particulars	1950-51	1955-56	1960-61
1. Paid up share capital	158	437	1,825
2. Statutory and other reserves	223	328	576
3. Owned Funds	380	765	2,401
4. Deposits	2,208	3,667	7,318
5. Borrowings	854	1,902	12,444
6. Working Capital	3,442	6,334	22,163
7. Loans issued	4,213	6,786	25,822
8. Loans outstanding	1,790	3,477	16,667
9. Loans overdue	215	370	696
10. Percentage of overdues to outstandings	12	11	4·20

A statement showing the financial position and operations of each state cooperative bank as at the beginning and close of the First Five Year Plan and at the close of the Second Plan is at appendix 'V'. It will be seen from that statement that the owned funds of the state cooperative banks of Andhra Pradesh, Madras, Maharashtra and Uttar Pradesh had exceeded Rs. 200 lakhs each and those of Gujarat, Madhya Pradesh, Mysore and West Bengal had exceeded Rs. 100 lakhs each at the close of 1960-61. The owned funds of the state cooperative banks of Punjab and Rajasthan stood at Rs. 96 lakhs at the close of 1960-61.

38·5. *Central cooperative banks*—A programme of rationalisation of the central co-operative banking structure was taken up in the States during the Second Five Year Plan through a process of amalgamation and elimination of weaker units with a view to establishing a strong central bank in each district. The establishment of central cooperative banks in the past did not follow any uniform pattern with the result that while certain districts had more than one central bank, there were others which had no such institution and where the credit needs were met either directly by the state cooperative bank or by the central banks of the neighbouring districts. In States like Rajasthan and Kerala where there were only a few central banks formerly, such banks have now been established in all the districts. Some of the States, however, have not yet taken steps to rationalize the central banking structure. We would urge upon the concerned State Governments to take steps for completing the rationalisation of the cooperative structure at the district level as quickly as possible. As a result of the programme of rationalisation, the total number of central banks has gone down from 505 in 1950-51 to 390 at the close of 1960-61 serving the 309 districts in the country.

38·6. The following table indicates the progress made by central cooperative banks in the country during the last two plan periods.

(Rs. in lakhs)

Particulars	1950-51	1955-56	1960-61
1. Paid up share capital	404	850	3,887
2. Statutory and other reserves	479	665	1,163
3. Owned funds..	883	1,515	5,050
4. Deposits	3,779	5,571	11,146
5. Borrowings	975	2,180	14,077
6. Working Capital	5,637	9,267	30,273
7. Loans issued	8,284	7,983	35,258
8. Loans outstanding	3,414	5,434	21,960
9. Loans overdue	296	788	2,747
10. Percentage of overdues to outstandings ..	9	15	13

A statement showing the statewise progress made by central cooperative banks during the last two Plan periods is at appendix VI. The owned funds of the central cooperative banks in each of the States of Andhra Pradesh, Gujarat, Madhya Pradesh, Madras, Maharashtra, Mysore and Uttar Pradesh at the close of 1960-61 had exceeded Rs. 400 lakhs while that of the central banks in Punjab had exceeded Rs. 300 lakhs.

38·7. The central cooperative banks have an important function of tapping urban deposits for financing local production to the maximum extent possible in addition to providing the channel for the flow of funds from the state cooperative banks and Reserve Bank of India and the money-market to the primaries. In the context of the large funds needed in a developing economy for medium-term purposes and the limited resources available in this regard with the government and the Reserve Bank, it is very necessary that the central cooperative banks spare no effort to strengthen their deposit resources by offer of facilities and returns to investment which, consistent with their cooperative character, are not very much behind those offered by their competitors in the field. The inadequacy of effort made so far in this direction by the state and central cooperative banks can be seen from the following table:

*Statement indicating the position of deposits with State and Central cooperative banks**

(Rs. in crores)

Date	Fixed deposits	Total deposits	Working capital	Col. 2 as percentage of Col. 4	Col. 3 as percentage of Col. 4
	State cooperative banks				
30-6-58	16·12	45·45	109·07	14·78	41·67
30-6-59	21·02	58·44	147·77	14·3	39·55
30-6-60	20·15	60·15	174·74	11·5	34·44
30-6-61†	24·73	72·33	221·65	11·2	32·8
	Central cooperative banks				
30-6-58	23·64	66·78	141·17	16·7	47·3
30-6-59	26·33	77·98	189·62	13·8	47·1
30-6-60	32·53	95·41	247·40	13·2	38·6
30-6-61†	37·58	112·01	304·02	12·3	29·14

(*Source*—Statistical statements relating to the cooperative movement in India).

*The figures represent all-India totals.

†The figures for 30-6-61 are under compilation and are, therefore, unconfirmed.

38·8. The proportion of time as well as total deposits to the working capital of the state cooperative banks has declined progressively during the last four years; in the case of the central cooperative banks the decline has been even more marked. Making an allowance for the increase in share capital owing to state participation it is evident that deposits have lagged far behind loan requirements, and the rapidly growing needs of the movement have been met by increased borrowings from the Reserve Bank.

38·9. The cooperative banks will, have to make more determined efforts to attract deposits, not merely by the offer of competitive rates of interest, but also by the provision of certain essential banking facilities and services to the depositors. Among the minimum of such facilities would be the issue of cheque books and demand drafts coupled with making effective arrangements for clearing these documents at the various clearing houses in the country. One of the services which the depositing clients expect from their banks is occasional overdraft accommodation—which is different in character from the grant of loans and cash credits—to help them tide over emergent temporary difficulties. This practice, which is customary with the commercial banks, is in vogue with some cooperative banks also. It has been pointed out that such a practice, without proper safeguards, might easily tend itself to be abused and result, if permitted on a wide scale, in the diversion of scarce resources to non-agricultural purposes and to non-members. On the other hand, it is difficult for cooperative banks to dissociate themselves entirely from this practice if they are to have a fair share in the deposits that may be available in their respective areas of operation. Depositors in cooperative banks—both individuals and public institutions—also expect occasional accommodation in view of the patronage they give to the cooperative banks with their funds. It is, however, necessary to see that this facility of granting occasional and small overdrafts to genuine depositing clients is not used as a cloak for grant of commercial credit or as a regular system of financing individuals. Only long standing depositors who have assured or regular incomes should be eligible for such accommodation. The borrowers may be called upon to produce personal surety and where necessary to become nominal members. The facility should be available only for short periods and for meeting emergent needs. There should be specific limits both in regard to individual accommodation (which should bear a proportion to monthly income) and total limits so granted, which should not exceed a specified proportion of the overall deposits of the institution concerned. Subject to this, cooperative banks should have the freedom to offer occasional and small overdrafts to their depositing clients.

38·10. Opening of branches at all important places within the jurisdiction of each central cooperative bank will also help to a great extent in tapping local deposits. Such a measure will, in addition, provide better business facilities to its member societies. One of the schemes which was implemented during the second Plan period was that of subsidising central cooperative banks for the purpose of opening branches. The table on the next page indicates the number of branches opened by central cooperative banks and the size of deposits held by them at the close of 1960-61 etc.

State		No. of central cooperative banks	No. of branches opened till the close of 1960-61	Amount of deposits held at the close of 1960-61 (Rs. in lakhs)	No. of branches per million population	Deposits per million population
Andhra Pradesh	..	25	38	652	1·06	18·01
Assam ..	..	9	..	4	..	0·34
Bihar ..	..	36	14	171	0·30	3·7
Gujarat ..	..	20	173	1,934	8·39	98·8
Jammu & Kashmir	..	4	..	31	..	8·7
Kerala ..	..	7	2	253	0·12	15·0
Maharashtra ..	..	35	337	2,658	8·53	67·3
Madhya Pradesh	..	48	144	831	4·45	25·7
Madras ..	..	15	7	1,052	0·21	31·3
Mysore ..	..	19	102	1,143	5·54	43·5
Orissa ..	..	17	9	283	0·51	16·5
Punjab ..	..	34	88	940	4·33	46·3
Rajasthan ..	..	29	46	371	2·28	13·08
Uttar Pradesh	..	54	42	876	0·57	11·09
West Bengal ..	..	29	12	191	0·24	5·5

It will be seen that with the exception of Madras, the quantum of deposits per million of population is by and large, influenced by the number of branches opened. Experience of those States which have made substantial progress in implementing the scheme of opening of branches indicates that the scheme has helped considerably in attracting deposits. The cooperators with whom we had discussions during our visits to States also expressed the view that opening of branches would result in increased deposits. Considering these, we recommend that the implementation of the scheme of opening of branches by central cooperative banks should be accelerated and the States should provide adequate assistance to central cooperative banks to cover losses that might be incurred by their branches till they become self-supporting.

38·11. It has been brought to our notice that the recently introduced deposit insurance scheme applicable to time deposits with commercial banks has not been extended to cooperative banks in view of which the latter may experience some difficulty in raising time deposits. We propose to discuss this problem at a later stage.

38·12. *Primary cooperative agricultural credit societies*—The First Five Year Plan recognised that it would be necessary to regulate and plan the economic life of the nation so as to augment production, increase employment potential and lay the foundation for a balanced economy. It was also recognised that the cooperative agency was better suited than the State for providing adequate funds to the agriculturists for production purposes and for ensuring proper utilisation of the credit provided to them. Certain targets were, therefore, laid down in the First Five Year Plan for the development of cooperative credit. The efforts made during the First Five Year Plan period resulted in the increase in the number of primary agricultural credit societies from 1,04,998 in 1950-51 to 1,59,939 at the close of 1955-56, their membership rose from 4·4 millions in 1950-51 to 7·8 millions in 1955-56 and the amount of short-term and medium-term loans advanced stood at Rs. 49·6 crores in 1955-56 as against Rs. 22·9 crores in 1950-51.

38·13. Based on the recommendations of the Rural Credit Survey Committee the Second Five Year Plan recognised the need to reorganise the cooperative credit structure and laid down the following targets:

	Target for 1960-61
Membership of primary agricultural credit cooperatives ..	15 millions
Shorter-term credit	Rs. 150 crores.
Medium-term credit	Rs. 50 crores.

These targets were sought to be achieved mainly by bringing into existence 10,400 large sized credit societies with government participation in their share capital and by natural expansion of activities of the existing societies. The schemes included in the Second Five Year Plan provided for the grant of subsidy to large sized societies in the initial stages on a tapering basis towards management cost; but there was no scheme under which the societies already in existence could be assisted. It was soon realised that many of the primary societies needed revitalisation and from 1957-58 onwards a scheme for revitalisation of such societies with government assistance was included in the Plan. While these schemes were under implementation, the National Development Council adopted a resolution on cooperative policy in November 1958, recommending radical reforms in the pattern of organisation of societies at the village level, and raised the Second Plan target relating to membership of primary agricultural credit societies from 15 millions to 20 millions. The organisation of large sized societies was, accordingly, discontinued from 1st April, 1959 and a large scale programme of organising new societies on the basis of the village community as the primary unit and revitalising the existing ones was taken up. A decision was also taken to provide to the new and revitalized societies subsidy towards management costs not exceeding Rs. 900 spread over a period of not more than 5 years.

38·14. The new policy laid down by the National Development Council was discussed at the Conference of State Ministers of Cooperation held in July

1959 in Mysore and the conference, inter-alia recommended that "the question of providing adequate finance and of State participation in the share capital at the primary level for which there was considerable demand from many State governments and cooperative organisations should be referred to an expert committee." The Government of India accordingly referred the whole question to the Committee constituted in 1959 under the chairmanship of Shri Vaikunth L. Mehta. The main recommendations contained in the Committee's report relating to the pattern of organisation at the primary level have been summarised below—

"All societies, old and new, should be strong enough not only to function efficiently at the start but to weather the strains and difficulties which will be inevitable as they assume additional and heavier responsibilities as time progresses. One of the main aims of future endeavour should be the promotion of viable units of cooperative service and business. A viable unit is that which may be expected within a reasonable time to render the more important of the services expected of credit societies both adequately and to as large a number of producers as possible, without depending upon financial assistance from government except for a limited period. The society should have the ability not only to command the services of competent personnel but at the end of the stipulated period be able to meet fully the expenditure on rent, audit and supervision and provide for education fund, reserves and a reasonable return on share capital.

A society requires services of two kinds, those consisting of direction, guidance and participation generally. These have been available so far on a voluntary basis; but there are others involving managerial duties, clerical work, keeping of accounts and so on. Even these services may in some areas or individual instances be available on an honorary or near honorary basis. In terms of the country as a whole the services of competent and trained managers, accountants, clerks etc. are not available except on the basis of remuneration.

The cooperative aspect is as important as that of viability; the cooperative society cannot afford to enlarge itself into an impersonal institution. The membership should not be too large and the area too extensive. No village included in a society should be at a distance of more than three or four miles from the headquarters village. The majority are of the view that the population covered should not exceed 3,000 (*i.e.*, 600 families or 500 cultivating families).

These recommendations were accepted by the Government of India and communicated to State Governments in October 1960. The schemes included in the Third Five Year Plan for the development of cooperative credit have by and large been formulated on the basis of these recommendations. The important targets fixed for the Third Five Year Plan period are given in the tables on the next page.

Name of state	Targets to be achieved by 1965-66 Membership (in millions)	ST & MT (Rs. in crores)	L.T. outstandings (Rs. in crores)	Coverage of villages
				%
Andhra Pradesh	4·00	60·00	23·31	100
Assam	0·80	8·00	1·60	100
Bihar	2·00	11·50	3·50	100
Gujarat	1·50	50·00	20·00	100
Maharashtra	4·00	100·00	50·00	100
Jammu & Kashmir	0·60	5·00	..	100
Kerala	1·50	16·00	3·00	100
M. P.	2·00	40·00	5·00	100
Madras	3·90	47·00	14·48	100
Mysore	2·10	37·50	10·00	100
Orissa	1·80	18·00	2·00	100
Punjab	2·10	30·00	2·90	100
Rajasthan	2·00	18·00	8·05	100
Uttar Pradesh	6·50	70·00	5·00	100
West Bengal	2·00	15·00	1·50	100
Union Territories	0·43	3·17	0·20	100
Total	37·23	529·17	150·54	100

It is expected that at the end of 1965-66 there would be 2,30,000 service societies covering 60 per cent of the agricultural population.

The progress achieved by primary agricultural credit societies till the close of the Second Five Year Plan is discussed below—

38·15. *Coverage of villages and rural population*—The coverage of villages and rural population by primary agricultural credit societies and the amounts advanced by them per borrowing member in each State at the close of 1960-61 were as under:

Name of State	Percentage of rural population covered	Percentage of villages covered	Advance per borrowing member (Rs.)
Andhra Pradesh	24·2	79	267
Assam	12·1	65	45
Bihar	11·3	54	73
Gujarat	27·9	96	426
Jammu & Kashmir	40·0	76	247
Kerala	27·9	99	132
Madhya Pradesh	16·2	69	274
Madras	41·3	100	249
Maharashtra	32·1	97	330
Mysore	32·6	84	227
Orissa	12·5	49	156
Punjab	40·1	91	209
Rajasthan	19·9	59	198
Uttar Pradesh	26·0	93	157
West Bengal	11·7	57	131
All India	23·7	75	226

It will be seen from the above table that cooperative societies ... Andhra Pradesh, Gunjarat, Jammu & Kashmir, Kerala, Madras, Maharashtra, My... Punjab and Uttar Pradesh served more than 75 per cent of the villages in these States at the close of 1960-61 as against the all India average of 75. As regards the coverage of rural population the achievement of the States of Andhra Pradesh, Gujarat, Jammu & Kashmir, Kerala, Madras, Maharashtra, Mysore, Punjab and Uttar Pradesh was higher than the all India average of 23·7 at the close of 1960-61. Hence with regard to coverage of villages and rural population, it can be said that the progress achieved by the above 9 States is quite satisfactory. The States of Orissa, Rajasthan, West Bengal and Madhya Pradesh can be grouped separately on the basis of coverage of villages and rural population. Their achievement does not fall for below the all India average:

38·16. *Societies advancing loans*—The percentage of societies advancing loans to the total number of societies in each State during 1960-61 was as follows:

Name of State	Percentage
Andhra Pradesh	79
Assam	44
Bihar	65
Gujarat	95
Jammu & Kashmir	46
Kerala	83
Madhya Pradesh	94
Madras	96
Maharashtra	97
Mysore	86
Orissa	56
Punjab	92
Rajasthan	58
Uttar Pradesh	84
West Bengal	43

While more than 70 per cent of the societies in Andhra Pradesh, Gujarat Kerala, Madhya Pradesh, Madras, Maharashtra, Mysore, Punjab and Uttar Pradesh advanced loans in 1960-61, the percentage of societies advancing loans varied between 50 and 75 in the States of Bihar, Orissa and Rajasthan.

…17. *Position of owned funds*—The following table shows the position owned funds of primary agricultural credit societies at the close of 1960-61:

Name of the State	Total No. of agricultural credit societies	Share capital	Statutory and other reserves (Rs. in lakhs)	Total owned funds	Average owned funds per society (in Rs.)
Andhra Pradesh ..	13,771	407	177	584	4,241
Assam	5,235	45	7	52	993
Bihar	17,086	101	25	126	737
Gujarat	7,441	812	199	1,011	13,587
Jammu & Kashmir ..	1,368	30	3	33	2,412
Kerala	2,239	175	99	274	12,238
Madhya Pradesh ..	20,691	309	152	461	2,228
Madras	10,690	400	242	642	6,005
Maharashtra	18,998	1,211	307	1,518	7,990
Mysore	9,107	472	149	621	6,819
Orissa	6,630	100	22	122	1,840
Punjab	18,448	481	107	588	3,187
Rajasthan	10,973	194	22	216	1,979
Uttar Pradesh ..	55,130	889	209	1,098	1,992
West Bengal	12,575	92	46	138	1,097
Union Territories ..	1,692	54	12	66	3,310
Total ..	2,12,014	5,772	1,778	7,550	3,561

Ordinarily a society having owned funds of the order of Rs. 3,000 should be able to function without difficulty. In the States of Andhra Pradesh, Gujarat, Kerala, Madras, Maharashtra, Mysore and Punjab, the average owned funds per society exceeds Rs. 3,000. The primary credit structure in these States can, therefore, be considered as having gained sufficient strength.

38·18. *Loaning operations*—The statement given at appendix VII shows the progress achieved by primary agricultural cooperative credit societies in providing credit to agriculturists during the First and Second Five Year Plan periods The performance of the cooperatives of Andhra Pradesh, Gujarat, Kerala, Madhya Pradesh, Madras, Maharashtra, Mysore, Punjab and Uttar Pradesh is indeed very good. The takavi advances made during 1960-61 in these States are in fact very insignificant as compared to the cooperative lendings.

38·19. From the analysis above, we have come to the conclusion that the short and medium-term credit structure in Andhra Pradesh, Gujarat, Maharashtra, Kerala, Madhya Pradesh, Madras, Mysore, Punjab and Uttar Pradesh is sufficiently developed both organisationally and financially except for certain specific pockets to be identified as areas of inadequate cooperative development. We, therefore, recommend that the government of these nine States should discontinue issuing of takavi loans for purposes of normal production and land improvement directly to individuals and entrust the work exclusively to

the cooperatives subject to above exceptions, and the exceptions indicated in para 37·3. The development of the cooperative structure has lagged behind for various reasons in certain parts of Jammu and Kashmir, Orissa, Rajasthan and West Bengal. In Bihar, huge takavi overdues have accumulated in some districts with the result that the cooperative structure there has been considerably handicapped, in the expansion of its activities. The position is not likely to improve until effective measures are resorted to for adjusting all takavi overdues to the repaying capacity of the cultivators. We are of the view that to start with government in the States of Jammu & Kashmir, Orissa, Rajasthan West Bengal and Bihar should discontinue issuing of short and medium-term takavi loans for normal production and land improvement purposes only in selected cooperatively developed districts/areas. In the remaining parts of these five States direct financing of agriculturists by government should be continued for the time being till the cooperative structure gathers adequate strength for being utilised for the channelling of government loans so that ultimately no area/district is left outside the purview of the scheme. The conditions prevailing in Assam are quite different from those in the other States. We have indicated earlier the measures taken by the State Government for channeling takavi loans through cooperatives and the unhappy consequences that have resulted therefrom. In view of that we would recommend that the Government of Assam should continue issuing of takavi loans and simultaneously take steps to revitalise and strengthen the cooperative institutions. The question of channeling takavi loans should be considered by the State Government only after the process of rehabilitation is complete. We have not analysed the position obtaining in the Union Territories in this regard. However, the above principles will apply to them also in the matter of implementation of this policy.

(*ii*) *Institutional structure for providing long-term credit*—

38·20. The cooperative institution for providing long-term loans to agriculturists is the land mortgage bank. Land mortgage banking, as a system, has not developed uniformly in all the States, although all of them except Jammu & Kashmir have by now central land mortgage banks at the State level. In Jammu & Kashmir, proposals in this regard are under consideration and we were told that land mortgage banks will be organised shortly. In Madras, Andhra Pradesh and Mysore, the operational unit below the State level is at the taluka level. In the Saurashtra region and a few other districts of Gujarat and in Bihar, the apex land mortgage bank advances loans directly to individuals through branches opened at lower levels. In Orissa, Maharashtra and the four districts of the non-Saurashtra region of Gujarat State, primary land mortgage banks function at the district level either directly or through branches opened at important centres below the districts headquarters. In Punjab, Madhya Pradesh, Travancore-Cochin area of Kerala, Uttar Pradesh and Rajasthan, where organisation of primary land mortgage banks has been taken up only recently, they are being organised at the district level. In Madhya Pradesh, the areas not served by primary land mortgage banks are being served by central cooperative banks through separate land mortgage banking sections. This arrangement, however, is to continue only till primary land mortgage banks are organised in those areas. In Uttar Pradesh, loans for long-term purposes are being sanctioned and disbursed by primary credit societies in those areas which are not served by primary land mortgage banks.

38·21. During our visits to the States we have ascertained the views of both non-officials and officials regarding the appropriate set up below the state level. In all the States, except Punjab, we were told that the system which had actually devleoped in the particular circumstances prevailing there may be regarded as the more suitable one. The office bearers of the Punjab State Land Mortgage Bank, however, felt that primary banks at the tehsil level federated into a State level land mortgage bank would be a more suitable structure for Punjab particularly because of the comparatively bigger size of the tehsils.

38·22. The suitability of a particular set up is no doubt a matter that has been decided upon by the States after mature consideration. We, however, visualise that the ultimate structure in any State should be a federal one with a central land mortgage bank at the State level and primary land mortgage banks at the lower level. Such a set up alone will help to build up local leadership. The existence of primary land mortgage banks will also make recoveries easier and they would further be useful in popularising the purchase of debentures. In States where central land mortgage banks are financing agriculturists directly through branches, it would be advantageous to organise primary land mortgage banks at the district level, by converting the branches of the central land mortgage banks at district headquarters. The branches at lower levels can then become branches of the primary land mortgage banks so organised. In States where primary land mortgage banks are functioning at the district level, there should be some agency set up by the primary land mortgage banks, at a level below the district, which is easily approachable to the agriculturists. Some States have already provided this agency at a level below the district by opening branches at important centres such as tehsil or taluka headquarters. We would, therefore, recommend that primary land mortgage banks which are functioning in the States at the district level without opening branches at a lower level should take steps to open them at important centres at the tehsil or taluka/block headquarters.

38·23. The position of primary land mortgage banks as on 30th June 1961 is given below—

State	No. of primary LM banks	Share capital	Borrowings	Working capital	Loans advanced in 60-61	Loans outstanding
Andhra Pradesh ..	105	55·95	712·61	783·78	175·52	719·52
Assam	5	0·62	4·72	5·57	1·58	4·94
Gujarat	5*	10·72	91·93	121·74	4·33	104·79
Kerala	10	4·95	59·85	68·20	6·04	56·05
Madhya Pradesh ..	21	1·70	30·79	35·70	6·82	33·67
Madras	94	51·89	651·84	720·37	201·95	668·37
Maharashtra	31†	29·71	420·48	472·18	204·30	453·18
Mysore	118	34·28	326·09	366·57	96·67	387·07
Orissa	10	0·34	3·66	4·15	4·03	3·48
Rajasthan	45	2·04	6·33	9·08	4·90	6·44
Uttar Pradesh ..	6	0·40	0·84	2·00	0·65	1·55
West Bengal	12	2·72	31·07	35·02	9·64	30·40
Total ..	462	195·32	2,340·21	2,624·36	716·43	2,469·46

*Including land mortgage banking section of Ahmedabad central bank.
†Including land mortgage banking section of 4 central cooperative banks.

Of the total of 462 primary banks functioning in the States, [illegible] banks are accounted for by Andhra Pradesh, Madras and Mysore states. The primary banks of Andhra Pradesh, Madras, Maharashtra and Mysore together have advanced Rs. 678·44 lakhs as against Rs. 716·43 lakhs advanced by all primary land mortgage banks. In addition, the Maharashtra Central Land Mortgage Bank and the Gujarat Central Land Mortgage Bank have advanced Rs. 11 lakhs and Rs. 274·41 lakhs respectively to individuals. Thus out of the total of Rs. 1161·34 lakhs advanced to individuals by the land mortgage banking system in the country as many as Rs. 1,063·85 lakhs were accounted for by Andhra Pradesh, Gujarat, Madras, Maharashtra and Mysore. In other words, the land mortgage banking system has gained strength only in these five States. In the remaining States the structure is at varying stages of the process of being built up.

38·24. We find that in most of the States the authority to sanction loans is centralised in the central land mortgage bank. Maharashtra, Gujarat and Madras have recently decentralised the system to some extent by permitting primary land mortgage banks and also branches in case of Gujarat to advance loans up to certain limits without waiting for formal sanction by the central land mortgage bank. Thus a beginning has been made towards decentralisation.

38·25. One of the chief drawbacks of the land mortgage banking system is that it leads to considerable delay in the sanctioning of loans. This is mainly because of the delay involved in examining the titles of intending borrowers on the lands offered as security. Long-term loans are required mainly for undertaking development works and it is essential that these loans are disbursed in time. The Gujarat State Land Mortgage Bank, which functions through primary Banks in four Districts and through branches at the tehsil level in twelve districts has, with a view to cutting down unnecessary delay authorised the primaries and the branch committees, which direct the working of the branches, to disburse a portion of the loan applied for after undertaking a preliminary scrutiny of the applications. The balance is disbursed after detailed examination of the applications and formal sanction by the head office. Similarly in the States of Maharashtra and Madras, powers to sanction loans up to certain limits have been delegated to the primary land mortgage banks and branches of the central and primary land mortgage banks. We would suggest that similar powers may be delegated, after careful examination, to primary land mortgage banks, their branches and branches of central land mortgage banks functioning in other States with a view to overcoming the difficulties faced by borrowers due to the delay involved in the sanctioning of loans. Maharashtra State has in fact gone a step further and has recently amended the Co-operative Societies Act to include new provisions with the object of inducing land development banks (land mortgage banks) to advance loans in an increasing measure and reducing the delay involved in sanctioning them. Some of the important provisions have been summarised below:

Section 118—It prescribes the mode of dealing with applications for loans. A public notice of each application is given in the prescribed manner calling upon all persons having or claiming interest in the land to be improved or offered as security for the loan, to present their objections at a time and place specified therein. The objections are heard and decided by the prescribed officers after which the land development banks are required to consider such applications for advancing loans.

Section 119—It makes the order, granting a loan, passed by a land development bank conclusive of certain matters such as the purpose for which the loan is given, the right of the loanee to effect improvment etc.

Section 120—This recognizes mortgages in favour of land development banks created against the security of tenants' interests in land and protects them in the event of transfer of lands by sale etc. Under its provisions the mortgages executed in favour of land development banks receive priority over any claim of government arising from loans granted after their execution.

Section 122—It exempts land development banks from the registration of mortgages under the Indian Registration Act.

Section 125—This makes the mortgages executed by managers of joint Hindu families binding on every member thereof notwithstanding any law to the contrary.

Section 138—It empowers the collectors to recover the dues to land development banks as arrears of land revenue.

Thus while the provisions of sections 118 and 122 have helped to cut down substantially the delays involved in scrutinising titles, encumbrances etc. and in the registration of mortgages, the provisions of the remaining sections have offered sufficient inducements to land development banks to adopt bolder lending policies. Gujarat State has taken steps to incorporate similar provisions in the Gujarat State Cooperative Societies Act. The All India Central Land Mortgage Banks' Cooperative Union has stressed the need to incorporate similar provisions in the Acts of the other States for the speedy disbursement and recovery of the long-term loans issued by land mortgage banks. We, therefore, recommend that other State Governments may consider the question of amending their Acts on the lines of Maharashtra and Gujarat.

38·26. The land mortgage banking system has gained sufficient strength in Madras, Andhra Pradesh, Mysore, Maharashtra and Gujarat states. Government in these states may, therefore, discontinue issuing of long-term loans, except for those purposes which call for technical guidance and supervision by government and those which the land mortgage banks are not in a position to finance at the present juncture and entrust the work exclusively to the land mortgage banks.

38·27. In the other states, except Jammu & Kashmir, steps have already been taken to build up the land mortgage banking structure and some skeleton structure is in existence. In these States, we recommend a purpose wise and region wise phasing for the implementation of the policy. To begin with land mortgage banks may be made responsible exclusively to provide funds for one or two purposes in selected districts. Additional purposes and districts may be transferred to them as the structure gains strength so that ultimately they would become the exclusive institutional agency to provide all along term production credit to agriculturists.

39. *Sources of funds*

39·1. In Chapter IV, we have referred to the limitation on the funds available for financing agriculturists for production and land improvement

purposes. The funds that are likely to be made available under the various schemes, including relief of distress, by the states in the last year of the Third Five Year Plan have been estimated at about Rs. 55 crores. As regards co-operatives, against Rs. 203 crores of short and medium-term credit provided by them during the last year of the Second Plan, they are expected to provide Rs. 530 crores in the last year of the Third Plan period. The outstandings of long-term loans are expected to rise from Rs. 34 crores in 1960-61 to Rs. 150 crores by the end of the Third Plan period. Fresh long-term lendings during the 5 years are estimated at nearly the same figure viz. Rs. 150 crores. The aggregate of funds thus available appears to us to fall short of the overall requirements of production. It is essential, therefore, to devise measures to supplement the available funds from other sources. While, it may not be possible to enhance the provisions under the Plan to any appreciable extent, it will be possible to enable cooperatives to step up considerably their loaning operation by supplementing their resources. The various measures that may be adopted in this regard have been considered below.

Short-term and medium-term funds

39·2. The following statement will indicate that the cooperative structure has been relying in an increasing measure on the Reserve Bank of India for obtaining funds to meet the credit requirements of agriculturists.

(Rs. in crores)

Year		Amount of loan outstanding from members (Primary agricultural co-operative credit societies)	Amount of loan outstanding to the Reserve Bank of India from Coop. Banks	Percentage of figures in col. 3 to those in col. 4
1956-57	..	76·82	24·90	32·4
1957-58	..	107·10	43·89	41·0
1958-59	..	135·00	62·03	45·9
1959-60	..	177·71	84·90	47·8
1960-61	..	217·99	109·69	50·3

39·3. The Reserve Bank of India has been providing both short and medium-term funds to the cooperative structure. Short-term funds are provided to the cooperative structure under section 17(2) (b), 4(a) and 4 (c) while medium-term funds are provided under section 17 (4 AA) read with section 46A (2) (b) of the Reserve Bank of India Act. There is no statutory limitation on the funds that can be so provided.

39·4. The Committee on Cooperative Credit has examined in detail the Reserve Bank's role in providing agricultural credit and have made certain recommendations for the liberalisation of the credit limits that are being sanctioned to cooperative banks. The report of the Committee on Cooperative Credit was considered by the Conference of State Ministers of Cooperation held at Srinagar in June 1960. Addressing the Conference the Governor

of the Reserve Bank indicated that it may not be possible to increase the present lendings by the Bank to more than Rs. 250 crores by the end of the Third Plan. According to him this figure was merely indicating of the dimensions involved and was not to be regarded as a firm commitment. In fact, the extent to which the Bank could go entirely depended on the extent to which the Bank was satisfied that the money was effectively spent for the purpose for which it was meant. The Standing Advisory Committee on Agricultural Credit, in its 20th meeting held on 19th February 1962 also considered the credit targets laid down in the Third Plan. The views expressed in the meeting were that these targets were rather high and unless the cooperative banks made sustained efforts to meet the competition from commercial banks, it may not be possible for them to augment their internal resources to any appreciable extent. The Committee noted that, as the scheme of deposit insurance was not extended to cooperative banks and as there was no alternative scheme for them, cooperative banks would be handicapped to some extent in augmenting their deposits. Thus the extent to which the Reserve Bank of India can provide credit to the cooperative structure is related, to a large extent, to its inherent strength.

39·5. The Reserve Bank of India has been advancing medium-term funds to the cooperative structure out of the National Agricultural Credit (Long-Term Operations) Fund created under Section 46-A. The amount available in this Fund for advancing medium-term loans is limited because of the following two reasons—

(*i*) The Fund was constituted with an initial contribution of Rs. 10 crores and was strengthened by annual contributions during the Second Five Year Plan period. The total contribution to the fund upto 1960-61 was Rs. 50·00 crores of which the balance available for utilisation in the Third Plan was about Rs. 19 crores.

(*ii*) The Fund is to be utilised for advancing loans to the State Governments for subscribing to the share capital of cooperatives, providing loans to central land mortgage banks, purchasing their debentures and meeting the medium-term loan requirements of the cooperative structure.

39·6. The demand for medium-term loans needs be met to the maximum extent possible particularly because such credit is required for the improvement of land, purchase of bullocks implements, machinery etc. which would help to increase the agricultural production in the country. The Committee on Cooperative Credit made specific recommendations for increasing the medium-term resoruces of the cooperative structure. If efforts are made on these lines to reach the targets of deposits and owned resources of cooperative Central and Apex banks the internal resources of the cooperatives available for medium-term credit may at most go up to Rs. 55 crores i.e. half the requirements of medium-term credit in the final year of the Plan. This would however depend a great deal on the implementation of an important recommendation of the Committee viz. that the Reserve Bank of India should be authorised by government to raise its contribution towards the Long-Term Operations Fund from Rs. 10 crores to Rs. 15 crores every year. The Government of India have not yet accepted this recommendation. During our visits to the States the inadequacy of the medium-term funds was repeatedly brought to our notice. Though

the acceptance of the recommendation will not eliminate the gap in the medium-term resources, fully, it will all the same help to mitigate, to some extent, the shortfall that is being keenly felt. We, therefore, urge strongly upon the Government of India to give effect to this recommendation as early as possible.

39·7. In Madras a scheme has recently been introduced under which the State Government guarantees to repay fixed deposits for more than 3 years with interest if the cooperative banks fail to do so. It is reported that the results so far achieved are encouraging. We feel that unless some measure comparable to the deposit insurance scheme introduced in the case of commercial banks or the guarantee scheme introduced by the Government of Madras is devised for the cooperatives, it may not be possible for them to raise substantial amounts by way of time deposits.

39·8. According to the present procedure the reimbursement facility provided for short-term loans issued by central cooperative banks from out of the short-term credit limits sanctioned by the Reserve Bank of India is not available for medium-term advances made by them. Cooperatives are therefore not in a position to advance medium-term loans apart from their own limited medium-term resources until funds released by the Reserve Bank of India reach them. During our visits to the various co-operative institutions it was pointed out to us that the absence of reimbursement facility often stood in the way of providing timely medium-term loans. Since provision of timely credit would result to a great extent in its proper utilisation we would urge that the Reserve Bank of India may consider favourably the question of extending reimbursement facility to medium-term funds as in the case of short-term funds. We understand that the Reserve Bank of India has already accepted the principle of reimbursement of medium-term advances made by central cooperative banks; but it is proposed to restrict the facility to 75 per cent of the medium-term advances made by the banks in excess of those made in 1960-61. The full implication of the new proposal is however not very clear. We would therefore like to emphasise that the quantum of medium-term funds available as a result of the reimbursement facility should not be less than that available under the credit limits applicable to central cooperative banks in accordance with the recommendations made by the Mehta Committee which have already been accepted by the Reserve Bank of India.

39·9. We have recommended earlier that funds available with govenment for issuing short-term and medium-term takavi loans to agriculturists for normal production and land improvement purposes should be utilised to supplement the resources of the cooperative structure and that government should discontinue issuing such loans directly wherever the co-operative structure is adequately developed to shoulder this responsibility. From the foregoing analysis; it is evident that the necessity of supplementing the short-term resources of the cooperatives is not so great as compared to the need to supplement their medium-term resources. We, therefore, recommend that funds earmarked by government for making advances to agriculturists excepting those for implementing schemes requiring governmental technical supervision and guidance and those for schemes which the cooperatives are not in a position to finance at the present juncture, should be utilised mainly to supplement the medium-term resources of the cooperative structure.

39·10. Government funds can be placed at the disposal of the cooperative structure either in the form of share capital participation or as loans or deposits with the state cooperative banks, central cooperative banks and primary agricultural credit societies. It would be necessary to determine the most suitable form in which government funds may be made available to the cooperative structure and the level at which government funds may be placed at the disposal of the cooperative structure.

39·11. The concensus of opinion of the cooperators from different States, whom we met during our visits, was that, as a general rule, they may be advanced as loans. In exceptional cases, where the owned funds of cooperative institutions require strengthening, it was suggested that government funds may take the form of share capital contribution. A view was also expressed that government funds may be deposited with the cooperative structure. We are, however, of the opinion that government funds should be made available to the cooperative structure in the form of loans for the following reasons—

(*i*) State Governments have been receiving funds from the Centre in the form of loans for financing agriculturists under the Plan schemes. If such funds are utilised for the share capital participation in cooperative institutions they would not be in a position to return the share capital contributed by government from the next year with the result that government will have to find funds from other sources to repay the loan instalments due to the Centre. Moreover, the return on the capital by way of dividends being uncertain, it will not be possible for State Governments to ascertain their net liability on account of such contributions. As a matter of fact State Governments can obtain funds from the Reserve Bank of India on much easier terms for share capital contribution to cooperatives and as such there is no need to divert the Plan scheme funds for this purpose.

(*ii*) If State Governments are to invest money obtained by them as loan from the Centre in the shape of fixed deposits in cooperatives, they will be required to find money from other sources for paying off the annual loan instalments due to the Centre. This will result in additional strain on the resources of the State Governments.

39·12. We would, therefore, recommend that funds available with State Governments for advancing loans to agriculturists for normal production and land improvement purposes should be made available to the cooperative structure preferably in the form of medium-term loans.

39·13. In exceptional cases, however, where the owned funds of cooperative institutions need strengthening, a part of these funds may be utilised for share capital participation in cooperative institutions if the State Government finds it difficult to obtain funds for this purpose from the Reserve Bank of India.

39·14. Many of the cooperators interviewed by us preferred that government funds should be made available to apex cooperative banks and that they should reach them at the same rate of interest at which the funds from the Reserve Bank of India reached them so that the ultimate lending rate would remain unaffected. A few of them, however, felt that it may not be possible for State

Governments to advance loans at a rate lower than that at which they received funds from the Central Government or from the open market. It was, therefore, suggested that these funds might be placed at the disposal of the central cooperative banks. We have considered these views carefully and have come to the conclusion that government funds when loaned to the cooperative structure should be lent to the state cooperative banks. The interest on such loans may be the same as that at which funds from the Reserve Bank of India are lent to the state cooperative banks. If for any reason any State Government finds it difficult to make advances at this rate of interest it might charge a rate of interest equal to the pooled rate of interest incurred by the state cooperative bank on its deposits or the rate at which it obtains loans from the Central Government whichever is less. We feel that it will not be difficult for State Governments to accept one of these suggestions regarding the rate of interest to be charged in view of the following :

(a) The maximum rate of interest charged on takavi advances made by all States except Madhya Pradesh and Rajasthan is not more than 6¼%. We have indicated earlier that the cost incurred by State Governments on takavi operations is of the order of 3½ to 4% of the advances. Thus the net return to the State Governments is not more than 2¼% to 2¾% on these advances.

(b) Apart from the borrowed funds a part of the funds lent by them is being derived from the general revenues on which no interest is paid.

(c) The States will be relieved of the overhead cost of administering these loans and the risk involved in the recovery of loans made to individuals both of which will be borne entirely by the cooperative banks. Therefore, it is only proper that government should pass on a portion of the cost being incurred by them on takavi operations to the cooperative structure indirectly by reducing the rate of interest on the advances made to them.

Long-term funds

39·15. Land mortgage banks have to depend mainly on the open market for raising the funds required by them. They raise the funds mainly by floating debentures. Apart from the guarantee by State Governments, the security for the debentures are the mortgages obtained by them as security for advancing loans. They are, therefore, required to obtain, in the first instance, some interim accommodation for advancing loans before floating a series of debentures. The problems confronting land mortgage banks are thus two-fold, viz. that of obtaining sufficient interim accommodation and that of raising sufficient funds by floating debentures.

39·16. Central land mortgage banks of some states receive interim accommodation from the State Governments while others have to obtain it from the State Bank of India or the State Cooperative Bank concerned against government guarantee. The All India Central Land Mortgage Bank Cooperative Union Ltd., pointed out to us certain difficulties in the matter of obtaining interim accommodation from the State Bank of India. The State Bank of India has

been insisting that the accommodation provided on the strength of government guarantee must be availed of during the financial year concerned. In other words if a cooperative bank drew upon the accommodation sanctioned to it, only partially the balance remaining undrawn as on 31st March will not be permitted to be drawn after that date. Generally the procedure to be followed in securing government guarantee is cumbersome and involves delay. Thereafter, some documents are to be executed following the sanction of accommodation by the State Bank of India. This procedure again takes considerable time. To overcome this difficulty the Union has suggested that the State Bank of India should sanction, to the central land mortgage banks, cash credit accommodation on the basis of continuing guarantee to be given by State Governments and the latter should agree to sanction such continuing guarantees. They have also suggested that the accommodation should be on a revolving basis enabling the central land mortage banks to draw upon the accommodation as and when funds are required for the issue of loans. We broadly agree with these suggestions and recommend that State Governments should sanction continuing guarantees in respect of the interim accommodation to be provided by the State Bank of India to central land mortgage banks and that the State Bank of India should renew the accommodation from time to time on the basis of such continuing guarantees to enable central land mortgage banks to draw upon them as and when funds are required for advancing loans. We also recommend that the procedure suggested for obtaining interim accommodation from the State Bank of India may apply to the state cooperative banks as well.

39·17. Another issue raised by the All India Central Land Mortgage Banks Cooperative Union Ltd., which has a bearing on interim finance, pertains to the quantum of state participation in the share capital of land mortgage banks. State Governments contribute to the share capital of central land mortgage banks only unlike the short and medium-term credit structure where they participate in the share capital of the institutions at all levels. It was contended that, in view of the fact that State Governments do not participate in the share capital of primary land mortgage banks, they should contribute substantially larger amounts to the share capital of central land mortgage banks. A sufficiently large capital base will help, to a great extent, to maintain continuity in the matter of issuing loans. If central land mortgage banks are always required to obtain interim accommodation from external sources for the purpose of making advances, they will have to suspend loaning operations occasionally because of the delay involved in obtaining them. We, therefore, recommend that the contribution of State Governments towards share capital of central land mortgage banks should be related to their requirement of interim finance and that matching contributions should not be insisted upon in such cases.

39·18. It is also necessary that the rate of interest at which interim finance is provided to central land mortgage banks, should be comparable to that at which they raise funds by the issue of debentures; otherwise the ultimate lending rate may have to be increased which will not be in the interest of agricultural production. We, therefore, recommend that the rate of interest on interim finance made available by State Governments, should be the same as that at which they raise funds from the Central Government or the open market. In the case of the interim finance being provided by the State Bank of India

under government guarantee we recommend that the rate of interest should not be more than ½ per cent above the basic rate at which the State Bank is eligible for accommodation from the Reserve Bank of India against government paper.

39·19. The Committee on Cooperative Credit has gone into the question of securing an assured support from various agencies such as the Life Insurance Corporation of India, the State Bank of India and the Reserve Bank of India for the debentures floated by land mortgage banks. We endorse the recommendations made by the Committee in this respect in Chapter XIII of their report. We also urge upon the Government of India to expedite the setting up of the proposed Refinance Corporation for Agriculture so that it may help the central land mortgage banks in finding long-term resources.

39·20. The All India Central Land Mortgage Banks Cooperative Union Ltd. brought to our notice that in spite of the recommendation made by the Reserve Bank of India that land mortgage banks may be permitted to float debentures 25 per cent in excess of the amount covered by mortgages, some State Governments are not permitting land mortgage banks to do so. We feel that well established central land mortgage banks should be permitted to issue debentures in excess of the amount covered by mortgages so that they may be able to muster enough funds for maintaining the continuity and the increasing scale of their loan operations.

39·21. It was represented to us that some State Governments have not been helpful to central land mortgage banks in enabling them to build up their Agricultural Credit (Stabilisation) Funds by allowing them to credit a part of the difference between the rate of dividend declared and the interst paid by them to the Reserve Bank of India on amounts borrowed for investment in the shares of central land mortgage banks, as is being done by other states. In view of large advances that are being made and have to be made in future it is necessary that land mortgage banks should strengthen their stabilisation fund to enable them to give short postponements of instalments in years of scarcity and to meet other unforeseen contingencies. We, therefore, urge upon the State Governments to make over to the central land mortgage banks at least 50 per cent of the dividend in excess of the interest payable to the Reserve Bank of India for strengthening their Agricultural Credit (Stabilisation) Funds.

39·22. When the land mortgage banks take over the responsibility of financing agriculturists for a particular plan scheme, funds available with government under that scheme will remain unutilised in so far as that particular scheme is concerned. There is no justification in diverting such funds for schemes other than those meant for financing cultivators for purposes connected with agricultural production and land improvement. State Governments should, therefore, continue to make budgetary provisions for the schemes transferred to land mortgage banks and such provisions should, after meeting the requirements for managerial grants and other subsidies be utilised primarily for supplementing the medium-term resources of the cooperative structure. Such fund may also be utilised for meeting the shortage in interim finance experienced by central land mortgage banks and for purchasing debentures floated by them where necessary.

40. *Financial requirement of agriculturists*

40·1. Hitherto we have considered the credit needs of agriculturists for implementing production plans. Agriculturists also need funds for purposes such as education of children, medical help, ceremonial expenses, consumption needs and clearing of prior debts. If the institutional agency providing funds for production purposes refuses to finance them for meeting their other requirements it will virtually amount to driving them to the money lenders. Cooperation was introduced in India mainly to liberate agriculturists from the clutches of usurious money lenders and therefore it is the responsibility of the movement to endeavour to meet all the legitimate credit needs of those who have embraced it. It is needless to stress that cooperative credit organisations should strive to inculcate the habit of thrift among their members, so that each member will have deposited some amount with his society which can be drawn upon to meet unforeseen and occasional needs, and thus convert them into self-reliant persons. This moral reconstruction would however involve considerable delay. Hence while assessing the credit needs of an agriculturist he should be considered as a whole and not merely as a producer. This is not to say that no distinction should be made as to the priorities to be attached to the requirements of production and those for other purposes or as to the source of funds from which they are to be met. In a situation where cooperative movement have to depend largely on funds from outside the cooperative movement it would be only proper to give the first priority to the production needs of agriculturists and to see that no portion of the borrowed funds is diverted to purposes other than production. All the same realities of rural life need to be accorded due recognition and the village folk encouraged to deal with them in an organised manner. Towards this end, the primary societies should be assisted in organising *ad hoc* chit funds for financing the social needs of their members. They should also be encouraged to build special funds out of which they may meet the special needs of their members for the education of their children and for medical expenses. Cooperatives which show tangible results on these lines should be further permitted to utilise a portion of their owned funds for these purposes if this can be done without affecting adversely their borrowing capacity for purposes of production.

40·2. As regards prior debts, other than petty debts, these are generally secured on mortgages and in many cases, the possession of lands would have been transferred to the mortgages. If agriculturists are not financed to clear off such secured debts, it is almost impossible to improve their lot. This position was recognised while introducing the land mortgage banking system and hence financing for clearing of prior debts was accepted as one of their main functions. Of late, there is a trend towards reducing the quantum of advances for redemption of prior debts and to concentrate on financing development works. For instance under the new Maharashtra Cooperative Societies Act, land development banks (land mortgage banks) can finance agriculturists for the liquidation of prior debts only if they are debts under the Bombay Agricultural Debtors Relief Act or any corresponding law for the time being in force in any part of the State. However, by a recent government notification land development banks have been authorised to sanction loans for the redemption of debts incurred for certain development purposes provided

they have been incurred within three years from the dates of loan applications. In other words, land development banks can finance agriculturists for the clearing up of certain categories of prior debts only. We feel that land mortgage banks should be free to issue loans for liquidating all categories of prior secured debts and recommend accordingly.

41. *Adjustment of Prior Debts*

The burden of old debts is a serious problem confronting many agriculturists. The question as to how they can be relieved of this burden was examined in detail by the Agricultural Finance Sub-committee set up by the Government of India.

The Committee has observed in its report—

> "The large part played by the repayment of debts in the contraction of new ones in all tracts may be taken as evidence of the old debts having a dragging effect on the economy of the average agriculturists. An adjustment of the burden of the old debt is, therefore, the initial problem which must be solved before a new structure of finance of agriculture is raised. Unless agricultural economy is free of the incumbus of a heavy accumulated debt, it will not begin to function normally and as long as the charge on the current income of the producer on account of the interest of the repayment of old debts is not placed at a reasonable level, the system of new finance will have no chance of successful operation. Therefore, the adjustment of old debts must be brought about in order to allow for the normal functioning of the economy of the producer and as a necessary preliminary to the reorganisation of agricultural finance."

The Committee, therefore, suggested various measures for the adjustment of old debts so as to reduce their size to a limit which can be paid off within a few years on easy terms. Many State Governments have since adopted statutory measures for clearing of the accumulated burden of prior debts on the agriculturists. In some States, however, especially the States of eastern region, such measures have not been adopted effectively. In Bihar as many as Rs. 13 crores approximately have accumulated as overdues under takavi loans alone. These overdues are concentrated in three or four districts. The position in Assam is equally bad. Unless the agriculturists are relieved of the heavy burden of prior debts cooperative finance will not function successfully. Long-term finance will have to be ruled out altogether as the lands would be encumbered. It would also be difficult to advance short and medium-term loans even on personal security, because the cooperatives will not be in a position to recover the dues by proceeding against the lands of the borrowers if they default in the payment of such dues. In view of this position we recommend that effective measure should be taken, wherever necessary, to adjust the burden of prior debts, especially government debts incurred under abnormal conditions of distress, and to arrange for their repayment in easy instalments over a period to suit the repaying capacity of the agriculturists. This done cooperatives can make advances to them in a normal business-like manner without fear of the first charge of government standing in the way of effecting recoveries.

42. *Backward areas*

Conditions prevailing in the economically backward and tribal areas are very much different from those in other areas. Difference in social customs, absence of contacts with developed areas, lack of educational facilities, inadequate communication facilities etc. account for the backwardness of these areas. The Special Working Group on Cooperation for Backward Classes, appointed by the Ministry of Home Affairs, has undertaken a study of the conditions prevailing in backward areas. The Working Group has been actively considering a suggestion regarding the organisation of integrated service cooperatives, at the 'hat' or the local market centre covering the areas served by the 'hat', which will dispense cash credit as well as grain credit, purchase the produce brought by members to the 'hat' and sell them their domestic requirements. These societies as well as the existing societies may have to incur additional expenditure on account of trained staff, transport etc. Atleast in the initial stages they will not be in a position to meet all costs from their narrow margins on loans and other business operations. We, therefore, recommend that cooperatives in backward areas should be treated on a special footing and given adequate managerial grant which may be on a more liberal scale than that provided to societies in developed areas. We also recommend that such grants may be given to them for a longer period.

43. *Interest rates*

43·1. We have indicated in Chapter III the rates of interest at which cooperatives and State Governments issue loans to agriculturists. Government rates are invariably lower than the rates charged by cooperatives. This raises the question as to what should be the rate of interest on loans to be issued by cooperatives after State Governments accept them as the sole institutional agency for providing loans to agriculturists for normal production and land improvement purposes and stop issuing takavi loans for these purposes. Here also short-term and medium-term loans and long-term loans have to be considered separately. Before proceeding with the consideration of this issue we would like to invite attention to the views expressed by the Agricultural Finance Sub-Committee on this subject. The following extract from its report is relevant in this context :

> "It is uniformly recognised that agricultural production especially in a country like India cannot economically carry finance at higher rates of interest. The rates have to be reasonably low for current or intermediate finance and lower still for development finance. Broadly, 6¼ per cent for current finance and 4 per cent for development may be considered the proper limits."

Conditions have changed substantially in the meanwhile. The money market has become tight since the Committee made its report. The bank rate which was 3 per cent in 1945 (the year of the report) is now 4 per cent. The condition of agriculturists has also improved to some extent because of the various developmental schemes implemented during the First and Second Five Year plans. Hence, even though it is still necessary to provide funds to agriculturists at reasonably low rates of interest, it is neither possible nor necessary to adhere to the limits indicated by the Agricultural Finance Sub-Committee.

Short-term and medium-term loans

43·2. Short-term and medium-term loans are required by agriculturists for seasonal agricultural operations, effecting minor improvements to lands, purchasing bullocks and agricultural implements etc. Investments on these items generally speaking, are not particularly risky and lead to assured increase in production. We were, therefore, told that agriculturists could afford to pay higher rate of interest on short and medium-term loans than that being charged by State Governments. Some of the non-officials and agriculturists interviewed by us brought to our notice that the expenditure incurred by agriculturists on account of conveyance and other charges for obtaining takavi loans was so high that even if the rate of interest on takavi loans was lower than that on cooperative loans, the latter would ultimately work out cheaper than the former in the totality of the situation. Another point brought to our notice relates to the insignificance of takavi loans and the small number of persons who benefit by them. Experience has shown that generally a few persons only receive takavi loans and the amounts received by them are seldom adequate or timely with the result that they are required to borrow from money lenders at high rates of interest. Hence, it was, argued, that if cooperatives provided timely and adequate credit, cooperative credit would be perhaps cheaper ultimately and the more acceptable of the two. As against these views it was stressed before us that agricultural economy was mainly a subsistance economy and as such the interest rates on credit provided to the agriculturists for agricultural operations have to be kept as low as possible particularly in respect of medium-term loans. After considering these views in detail we have come to the conclusion that co-operatives may continue to charge their economic lending rate on short-term and medium-term loans even after becoming the sole institutional agency to provide all short and medium-term credit required by agriculturists for normal production and land improvement purposes, in so far as cooperatively developed areas are concerned.

43·3. In most States interest rates on short-term and medium-term loans advanced by cooperatives range from 6¼ per cent to 8 per cent. In Madhya Pradesh short-term loans advanced by cooperatives carry interest at 9 per cent and medium-term loans at 9½ per cent. In Kerala, while the loans issued out of funds obtained from the Reserve Bank of India carry interest at 6¼ per cent for short-term and 7 per cent for medium-term, loans issued out of the owned funds of the cooperatives carry interest at 9 per cent. In certain parts of Mysore and Punjab States interest on short-term and medium-term loans is 9-3/8 per cent. In Uttar Pradesh these loans carry interest at 8¾ per cent. We are, however, of the view that the interest rate on short-term and medium-term loans should not be more than 7½ per cent to 8 per cent. In Kerala loans issued out of owned funds, are charged a higher rate of interest because central banks do not work out a pooled rate of interest for the purpose of making advances to primary societies. We would, therefore, suggest that central banks in Kerala may work out a pooled rate of interest, taking into account the interest paid on all borrowings and deposits, and make advances to cooperatives at a uniform rate of interest without any discrimination based on the sources of funds. With regard to other States where cooperatives are charging higher rates of interest, either

throughout the State or in certain parts, it is necessary to examine the reasons for the disparity in the rates to enable them to bring down the lending rate to the level prevailing in adjacent States or other parts of the same State. The societies in these areas might be charging higher rates either because of the higher overhead charges or because the development of the movement has lagged behind for reasons beyond the control of the local agriculturists. We, therefore, recommend that the societies in these areas may be given some special assistance to enable them to bring down their lending rates to the level prevailing in the cooperatively developed States or areas. We have discussed this problem particularly with the officers of the Government of Mysore and it was agreed that a lump amount can be placed at the disposal of the Registrar, for a few years for assisting societies, charging interest at a rate higher than that prevailing in the developed areas of the State, so that business is built up and the lending rate of these societies is brought in line with that of the rest. The Mehta Committee in fact had recommended the enhancement of the managerial grant to Rs. 1,200 for all new and revitalised societies. Cooperatively advanced States like Maharashtra and Gujarat have already been giving assistance at the rate of Rs. 1,200 and Madras at the rate of Rs. 1,100 and to all new and revitalised societies even though the Centre has been sharing expenditure only upto Rs. 900 per society. The strength of the cooperative movement at the village level in these States is owned in no small measure to this form of enhanced assistance. We would, therefore, recommend this course for adoption by such of the States where societies, generally or in particular areas, are charging a slightly higher rate of interest. This special assistance may take the form of additional managerial grant over and above the normal grant of Rs. 900 spread over a period of five years and the Central Government should offer encouragement to the States in this regard by recognising the additional expenditure for central assistance in the proportion already prescribed for sharing managerial assistance.

43·4. It may be possible for the cooperatives to work on lesser margin as business expands. We wou'd, therefore, recommend that their economic lending rate may be reviewed from time to time with a view to bringing it down to the extent possible.

Long-Term Loans

43·5. Long-term loans are required mainly for the development of the land, making costly improvements, digging of wells, installation of pumping plants, purchasing costly machinery etc. for the purpose of increasing agricultural production. Investments of this type are helpful in raising the general level of the economy. At the same time they are risky for a variety of reasons. The loan instalments and interest are generally to be paid out of the additional income which the agriculturists earn by undertaking developmental works. At the present level of agricultural development the profitability of these investments to individual families is not always high or assured. Moreover, there is no guarantee that the prices of agricultural produce will remain remunerative over a number of years. Then again not all developmental works may produce the desired results. Considering the various risks and handicaps it is necessary to make available funds for developmental works at a reasonably lower rate of

interest and to share the risk in appropriate cases by making outright grants. Even in the case of industries, which are not as risky as the agricultural industry, funds are being made available at moderate rates of interest for augmenting production and employment, These considerations should apply with greater force in the field of agricultural development. The country has a vital stake in the creation of new assets for agricultural production and at the raising of the productivity of the existing ones. Where the long-term investment of individual agriculturists is directed towards this objective, they deserve to be encouraged by the grant of loans in very moderate rates of interest as well as by outright grants, related to capital costs and risks, in appropriate cases. In the interest of raising the general level of economy it is usual to expect only a moderate return on this form of investment in the public sector. The actual return is very much lower than the bank rate. In fact, it has been pointed out by the Third Finance Commission that the working of irrigation projects in 13 of the States, during the years 1957-58 to 1960-61, resulted in an aggregate loss of about Rs. 49·50 crores. Only two States showed a surplus of Rs. 3 crores. We therefore, feel that the rate of interest on long-term loans advanced to agriculturists, for undertaking works of agricultural development should be comparable to the rates of interest charged on the other Plan schemes which do not exceed as a rule 6¼ per cent and to the extent possible they should be somewhat lower than the rate on loans made available for the development of other industries.

43·6. Land mortgage banks obtain funds for making advances to agriculturists by the issue of debentures for which they have to pay interest at the prevailing market rate, which at present, is of the order of 4½ per cent. Ordinarily they will require a margin of about 3 per cent to meet overhead and risk charges. Thus it may not be possible for the land mortgage banks to issue loans at a rate of below 7 per cent even if they become the sole institutional agency to provide long-term finance to agriculturists. Land mortgage banks will be in a position to bring down their interest rates on developmental loans only if some external assistance is provided to them for that purpose. We have indicated earlier that takavi transactions cost the State Governments, about 3·5 to 4 per cent of the advances. When the land mortgage banks take over the responsibility to finance agriculturists fully and State Governments discontinue issuing of long-term takavi loans, the latter would be saving the cost which they would have otherwise incurred had they continued to issue such loans. Hence, in the interest of the agricultural industry, State Governments should provide to the land mortgage banks a part of the cost which they would have incurred on takavi transactions. Maharashtra and Gujarat States have already stopped issuing of takavi loans for certain specified purposes. Realising the need to provide loans to agriculturists at a reasonable rate of interest for these purposes, Maharashtra State has been providing subsidy to land mortgage banks at the rate of 2½ per cent on their advances so that the banks may advance loans at the rate prescribed by government, namely, 4½ per cent. Thus by spending a relatively small amount, Maharashtra State has been implementing schemes costing about Rs. 18 crores. If the State Government was to implement the scheme directly, it would have been necessary for it to find the capital basides incurring heavy administrative expenditure and possible losses. It is, therefore, advantageous to the State Governments to transfer such developmental schemes to the land mortgage banks under the arrangements explained above.

43·7. The Agricultural Finance Sub-Committee (1944-45) examined the question of interest rates on loans to agriculturists. The Committee expressed the view that agricultural production in a country like India cannot economically carry finance at higher rates of interest. According to them the proper limit for developmental finance is 4 per cent. For the purpose of providing finance, at this low rate, the Committee recommended state assistance to the financing agency. Conditions have changed since, during the past few years, and it may be possible for the agriculturists to pay a slightly higher rate than 4 per cent on developmental loans. During our visits to States, we were repeatedly told some of the cooperatives that the transfer of certain schemes to the cooperative agency should not result in an increase in the rate of interest on developmental loans, as that would instead of offering an davantage to the cultivators, act as a disincentive to their becoming members of cooperatives. An eminent cooperator and the ex-Revenue Minister of an advanced State, went to the extent of saying that a cooperator should feel guilty if as a result of taking over of a programme by cooperatives, cultivators are made to pay a higher rate of interest.

43·8. Considering these aspects we recommend that the interest rate on long-term loans for developmental purposes should be kept reasonably low. We further recommend that the State Governments should assist land mortgage banks in advancing such loans at reasonably low rates of interest by liberalising grants for meeting overhead costs of the technical and managerial staff employed by central and primary land mortgage banks and their branches, and provide subsidy at a rate equal to the difference between their economic lending rate and the prescribed reasonable rate of interest. It is really for the State Governments to decide as to what should be reasonable rate of interest on developmental loans, but we are convinced that it should not be above 6½ per cent.

43·9. We have, in particular, to observe that the assistance available to land mortgage banks in regard to the provision of land valuation officers is inadequate. Subsidy is available, at present, for a certain period at the rate of one land valuation officer for three primary land mortgage banks. With the growing emphasis on developmental finance in place of loans for the repayment of old debts, organisation of primary land mortgage banks at the district level, opening of branches at taluka centres and rapidly increasing volume and complexity of long-term credit there is need for the services of a full-time land valuation officer for each branch or the primary land mortgage bank as the case may be. It is possible to enlarge his functions so as to reduce field visits by a number of functionaries. Without strengthening the land valuation and technical services available to the land mortgage banks it will not be possible to dispose off loan applications expeditiously. We have, therefore, to recommend that adequate number of land valuation officers-as far possible one land valuation officer for each branch or principal office of a primary land mortgage bank—should be placed at the disposal of land mortgage banks. We have also to recommend that financial assistance from government for the land valuation officers and for the managerial and supervisory staff attached to primary land mortgage banks and branches of primary or central land mortgage banks, should be available for four years instead of three years on the same pattern as in the case of eastern States, namely, meeting full cost for the first two years and two-thirds and one-third cost in the two subsequent years.

43·10. Long term loans for the clearing of prior debts and purchase of lands have to be treated on a different footing and as such they may not call for concessional rates of interest.

44. *Coordination between cooperatives and Panchayati Raj institutions*

44·1. The establishment of Panchayati Raj institutions at various levels and the roles assigned to them constitute fundamental and far-reaching changes in the pattern of district administration. Subject to guidance and supervision by the State Government responsibility for the implementation of the rural development programme has been vested in panchayat samitis, at the block level, working with panchayats in the villages and zila parishad at the district level. One of the main functions assigned to the panchayat samitis is that of formulating and implementing village production plans. It has been emphasized in the Third Five Year Plan that all families in the villages, especially those engaged in cultivation, must be involved in the agricultural effort to achieve larger results through village production plans. While the responsibility to formulate and implement village production plans is vested in panchayat samitis the responsibility to provide credit to the agriculturists, for implementing such plans, has been vested in the village cooperatives. It therefore, follows that panchayat samitis and cooperatives should make a coordinated effort for the successful implementation of village production plans.

44·2. Before proceeding to examine the ways in which coordination can be ensured between panchayat samitis and cooperatives, we would like to make a reference to the position of agricultural production plans. The existence of agricultural production plans in the different States has been examined in detail by the Committee on Cooperative Credit and their findings are reproduced below—

> "There are no production plans as such for a village or a family with which our proposals for expansion of credit can be co-related. This does not, however, mean that there is no programme of agricultural production in the villages. Each farmer has a plan of his own, whether he owns land or he is a cultivating tenant. He knows how much land he is going to cultivate, what crops he proposes to raise and what facilities he would require for production by way of seeds, manure, water-supply, transport, credit etc."

44·3. The present position with regard to production plans is that individual production plans are being prepared in the Intensive Agricultural District Programme areas only. In other areas, attempts are being made to prepare village production plans without necessarily working out individual plans.

44·4. The question of coordination between Panchayati Raj institutions and cooperatives was discussed by us with the officials and non-officials of the States that we visited. The views expressed by them are summarised below.

Andhra Pradesh

(*i*) *Officials*—Panchayat samitis are made responsible to plan and implement schemes of agricultural production. If it is decided to route all government loans through cooperatives, panchayat samitis will be left with the responsibility to implement such schemes without the power to provide necessary

funds for that purpose. Hence there should be some sort of liaison between the two organisations. This can be achieved by appointing a committee consisting of the representatives of both the institutions to review the loaning activities of the cooperatives in the context of the plans formulated by the panchayat samitis.

(ii) *Non-officials*—Panchayat samitis may draw programmes of production and lay down physical and financial targets. Cooperatives should be associated with this work through their respresentatives. The responsibility to finance agriculturists for implementing these programmes should be left to the cooperatives. They should be free to dispose of loans applications according to their own rules and byelaws. Panchayati Raj institutions may assist agriculturists in preparing. applications for loans, but they should not be given a say in the matter of sanctioning loans. Cooperatives will send periodical reports to Panchayati Raj institutions for review and their comments should be communicated to the central banks or the departments for necessary action. For ensuring proper coordination, representatives of central banks should be nominated on zila parishads, just as representatives of zila parishads are nominated on the boards of directors of central banks.

Bihar

The schemes to be implemented in a given area or a block may be prepared by a joint committee of the cooperatives and Panchayati Raj institutions. Cooperatives should be free to sanction loans to agriculturists to implement these schemes. The joint committee may at regular intervals review the progress achieved by cooperatives in financing the schemes.

Madras

Processing and sanctioning of loan applications should be left to the cooperatives. Panchayati Raj institutions, which are responsible for programming the schemes for agricultural development, can be kept informed of the progress made by cooperatives in financing their schemes by sending to them periodical reports. There should be reciprocal representation on panchayats and cooperatives including the central banks.

Madhya Pradesh

Panchayati Raj institutions are responsible for preparing programmes for increasing production and cooperatives are to provide necessary funds for implementing these programmes. Production programme should therefore be prepared jointly and cooperatives should endeavour to adhere to the programme while making advances. The authority to sanction individual loans will, however, remain exclusively with the cooperatives.

Punjab

(i) *Officials*—Joint Committees of cooperatives and Panchayati Raj institutions may be constituted at a suitable level (at a level higher than the block) to ensure mutual coordination. These committees can decide policy matters and review the implementation of these decisions by the concerned agencies.

(*ii*) *Non-officials*—Panchayati Raj institutions which are responsible for preparing and implementing production plans cannot be given a say in the disbursement of individual loans. Cooperatives should be free to take decisions on individual cases, but while doing so, they should take into consideration the production programmes prepared by panchayati raj institutions. For ensuring proper coordination between cooperatives and Panchayati Raj institutions policy matters may be decided in joint committees, of these organisations, constituted at suitable levels subject to which co-operatives may make advances.

Rajasthan

(*i*) *Officials*—The question as to the relationship between cooperatives and Panchayati Raj institutions should be decided before implementing the decision regarding entrusting the work of issuing all loans to agriculturists by cooperatives. If cooperatives are to be the sole agency to issue loans panchayat samitis should have some say in the matter of issue of loans for implementing schemes falling under their purview. It may be a satisfactory arrangement if a joint committee of cooperatives and Panchayati Raj institutions lays down broad policies within which cooperatives can lend and have the freedom to decide on individual loan applications. A view was also expressed that there should be a statutory body for ensuring coordination between Panchayati Raj institutions on the one hand and the cooperatives on the other in the matter of advancing loans under the production plans. It was further felt that, in the interest of proper coordination and smooth working, it would be necessary for co-operatives to follow scheme-wise priorities fixed by Panchayati Raj institutions.

(*ii*) *Non-officials*—Panchayat samitis are responsible for preparing production plans and for implementing them. It may be desired that they should be associated with the loaning activities of cooperatives in so far as schemes entrusted to them are concerned. This can be achieved by giving preference to programmes recommended by panchayat samitis in the matter of disbursement of loans.

Uttar Pradesh

Both cooperatives and Panchayati Raj institutions are people's institutions. Both of them should be real autonomous units. Cooperatives will undertake financing in consonance with the production plans prepared by Panchayati Raj institutions . Cooperatives should be free to take decisions on individual applications, but they should be prepared to justify their actions. Cooperatives can give periodical reports on their financing activities to Panchayati Raj institutions and their comments can be discussed in common meetings to ensure coordination.

West Bengal

Officials—Joint committees may be formed at the block level to chalk out broad policies regarding the operation of cooperatives vis-a-vis production plans. Subject to these policies, cooperatives should be free to lend according to their normal standards. The joint committees may review the progress achieved by cooperatives at regular intervals.

44·5. One view, expressed in this context, was that while preparation of production plans was the responsibility of Community Development blocks and Panchayati Raj institutions, provision of credit for implementing these schemes was the responsibility of the cooperatives. Production plans should be prepared in mutual consultations, so that the lending policy of the cooperatives can be linked with production programmes. It is not desirable to permit panchayats to interfere and over-rule the decisions of the cooperatives regarding grant of loans to individuals. Cooperatives should be free to take decisions in this regard. The zila parishad etc. are there for ensuring coordination at higher levels.

44·6. Another view was that cooperatives and panchayat samitis should be complementary institutions at the village level. Panchayats are responsible for financing every agriculturists having a production plan. Panchayat samitis should utilise the cooperative agency to finance production plans, instead of taking up that responsibility upon themselves.

44·7. There was yet another view that at the block level there should be a committee consisting of representatives of both cooperatives and Panchayati Raj institutions for preparing production plans. The cooperatives should be in a position to indicate the quantum of funds that would be available for financing these plans. The cooperatives should be free to issue loans to individuals taking into account their resources for implementing the agreed production plans.

44·8. The Working Group on Panchayats and Cooperatives (1961) appointed by the Ministry of Community Development and Cooperation expressed the following view on the question of coordination between village cooperative and gram sabha (panchayat) :

> "While the autonomy of the village cooperative has to be accepted the supreme authority in the village, namely the gram sabha should certainly have a right to disucuss matters relating to the service cooperatives in so far as they affect the economic development of the area. The loan policy of the cooperative, the quantum of loan given to the smaller cultivators and tenants, the type of security insisted upon etc. are subjects in which the entire gram sabha is legitimately interested. It may not be necessary for purposes of such discussion to obtain the report from the service cooperatives or to call for any papers, though it would be helpful if relevant facts and figures were voluntarily placed at the sabha by the cooperative. The general facts relating to the working of the cooperative in the village are likely to be well known in the area and the gram sabha should be free to formulate its opinion in this particular sphere of development as in any other. The village cooperative will no doubt take note of the views of the gram sabha, which may be sent to the block panchayat samiti through the panchayat. Block panchayat samiti may communicate these comments to the zila parishad, which may take them up with cooperative institutions at the district level or with the Assistant Registrar, if necessary."

44·9. After considering all the above views, we have come to the conclusion that while the preparation of production plans may be the responsibility of Panchayati Raj institutions the responsibility to finance such loans should be that of the cooperatives in so far as they relate to their members. Cooperatives

should therefore be closely associated with the preparation of production plans at all stages. They should however be free to make advances to agriculturists but in doing so due regard should be paid to the objectives of the production plans. Cooperative institutions will be in a position to give indications of their resources position and the quantum of funds that may be available with them for making advances during a particular season. These should be taken into account while preparing production plans and subsequently cooperatives should be expected to provide funds only upto the limits indicated by them earlier. The loan policy of cooperatives and other matters in which the panchayats are legitimately interested may be discussed in joint meetings of the panchayats and the managing committees of the cooperatives. Such meetings may also review the progress achieved by cooperatives in financing production plans. The panchayats may formulate suggestions on the activities of the cooperatives and communicate them to the zila parishad through the panchayat samitis which may take them up with cooperative institutions at the district level or with departmental officers if necessary.

45. *Financing of non-members*

45·1. One difficulty posed in implementing the policy of channelling takavi loans through cooperatives is that once the policy is implemented, agriculturists who are not members of cooperatives will be handicapped in obtaining finance for agricultural opertions. The proportion which the agricultural population covered by cooperatives, bore to the total agricultural population of the country at the close of 1960-61 was 23·7 per cent. This percentage was still lower in respet of States like Bihar, West Bengal, etc. Against this background, it is feared by some that if the proposed policy is implemented, a majority of agriculturists will be deprived of easy credit facilities and consequently agricultural production will suffer to a great extent. A view was therefore expressed that cooperative development should precede the implementation of the policy of channelling takavi loans through cooperatives. In areas where the movement was sufficiently developed it was accepted that the policy can be implemented forthwith, but in areas where it was not well developed it was argued that the existing arrangements will have to be continued for some time more. It was also argued that if the policy is implemented agriculturists who are not members of cooperatives will have no alternative other than joining cooperatives for obtaining the credit required by them for pursuing their agricultural operations. The implementation of the policy would thus result in coercing non-members to join cooperatives which, in fact, would amount to a violation of the fundamental principles of cooperation. Another argument put forward against the implementation of the policy was that some of the agriculturists are, for some reason or other, unwilling to join cooperatives and as such once the policy is implemented they will not be able to get institutional credit for implementing their agricultural programme.

45·2. One of the accepted principles of cooperative policy is that of open membership which means that any one who is desirous of joining a cooperative will ordinarily be admitted as a member. Agriculturists, who are not members of cooperatives, can, therefore, join cooperatives without difficulty and avail of the facilities that they provide. If for any reason membership is refused the Cooperative Societies Acts of almost all States provide for appeal against such refusal unless the person concerned is disqualified from becoming a member.

45·3. The declared objective of the nation is that of building up a co-operative commonwealth. For achieving this objective efforts have to be directed towards making it worthwhile for all the families to come into the cooperative fold. In the resolution on cooperative policy adopted by the National Development Council it has been indicated that all rural families should be brought within the cooperative fold before the end of the Third Five Year Plan. The recommendation to make available takavi loans and other facilities through cooperatives was made by the National Development Council for the purpose of creating conditions in which every peasant and rural worker will find it to his advantage to join the cooperative. The argument that the implementation of the policy of channelling takavi loans through cooperatives will amount to coercing non-members to become members of cooperatives does not therefore carry much weight in as much as it is open to an agriculturist to resort to private borrowing which is not barred. The fact that few agriculturists are not willing to join cooperatives can hardly be a justification for State Governments to continue to issue loans to individuals. It is actually the responsibility of Government departments to persuade such agriculrurists to join cooperatives. It is true that government have a responsibility to see that all agriculturists are able to obtain funds on easy terms for continuing their agricultural operations. But this does not mean that such funds should be provided by Government themselves. Government are fully justified in directing agriculturists to obtain necessary funds from an approved and popular agency such as the cooperatives after satisfying the usual condition that they join the cooperatives as members. The Committee on Cooperative Planning, under the chairmanship of Shri R. G. Saraiya, went into the question of the place of voluntary membership in the context of planning and observed that the voluntary principle, governing admission to the membership of a cooperative society, should be respected and that no one should be compelled to join a society. At the same time the Committee has supported the view that inducements to comply with a plan may take the form of denial of privileges to those who refuse to join a scheme for an approved purpose. The Committee has further reiterated that there would be perfect justification for giving certain privileges to those who become members of co-operatives administering the scheme and denying it to those who do not as the State would find it easier and more economic to deal with organised units of cooperatives than with unorganised individuals.

45·4. One genuine difficulty that agriculturists may experience is that of finding funds for initial investment in the share capital of cooperatives. In most States the credit limit of a member is fixed on the basis of his paid up share capital in the society. Generally this limit is up to 8 to 10 times the paid up share capital. Thus a cultivator joining a society for obtaining a loan of Rs. 200 has to invest Rs. 20 to 25 in the shares of the cooperative in one lump. There may be some cultivators who may not be able to pay the entire value of share before taking the first loan. The Committee on Cooperative Credit considered this problem and recommended that a person who wants to join a society and whose loan requirements do not exceed Rs. 200 may be allowed to subscribe to the requisite number of shares on payment of half the value of shares, the balance being paid to the next two years in equal instalments. We endorse this recommendation. Suitable provisions to this effect should be made in the by-laws of primary credit societies.

45·5. One suggestion made to us on the question of financing non-members is that of enrolling them as nominal members for this purpose. A nominal member need pay only a small amount of Re. 1 or so to the society and he will have no liability or rights which an ordinary member will have in relation to the society. This proposal involves an unfair discrimination against other members of the community who join the cooperative society as ordinary members and raise share capital and other resources which, to a large extent, facilitates the grant of loans to new members. So long as a person desires to avail of the facility of institutional credit he should conform to all the rules applicable to a borrowing member including subscription to the share capital. In the case of those who do not wish to continue as members after the repayment of the loans, facility should be available in the byelaws of the societies regarding withdrawal from membership and refund of share capital.

45·6. A view was expressed that with the creation of a unified agency in the field for disbursing loans to agriculturists, problems are likely to arise if the agency failed to function satisfactirily or became defunct. A second line of credit may be needed under such circumstances. As the Panchayati Raj institutions are responsible for increasig agricultural production the panchayat samiti, it was suggested, may be the suitable agency for disbursing credit under such circumstances subject to the folllwing conditions—

(*i*) The loan application should be in accordance with the village production plan.

(*ii*) The purpose and security offered should fulfil prescribed conditions.

(*iii*) The village panchayat should have recommended the loan.

(*iv*) The Cooperative should have refused to sanction the loan and

(*v*) The panchayat samiti should be satisfied that considering all circumstances the applicant deserves the loan.

We have assumed the growth of healthy cooperative institutions which have their doors open for all cultivators and which would be responsive to their production needs. In the event of failure of the cooperative agency to discharge its responsibility in any place it is obvious that the residual responsibility of providing production requirements to farmers would rest on government and government may have to entrust the work to panchayati raj institutions. We do not see particular advantages in providing for a specific machinery to meet the situation. On the contrary there may be poisitive harm in anticipating ab-initio a break down in the proposed arrangement. Difficulties will no doubt arise in working through the numerous cooperatives having a democratic constitution. There may well be instances of virtual deadlocks too. Even so there should be in our opinion, a flexibility in devising remedies to meet such situations according to the circumstances of each case. The popular character of the cooperative institutions, built-in checks and safeguards in the hierarchy of the cooperative societies, Registrar's powers of supervision and control and other statutory remedies, machinery for the coordination of activities between co-operatives and Panchayati Raj institutions, and the pressure of local opinion

should be allowed to play their part in finding the appropriate solution. This in the long run, will be more satisfying and enduring than a ready made formula to be prescribed for the purpose.

46. *Marginal and other special classes of cultivators*

The Committee on Cooperative Credit have made specific recommendations which would help in broad basing the supply of credit to agriculturists and in extending the benefit of institutional credit to increasing numbers of cultivating families. These recommendations, however, do not cover provision of long-term credit to certain special classes of cultivators. One such class consists of small holders. It may be possible to increase the yield from their holdings if some development work such as digging of wells is undertaken. Such lands however do not provide sufficient security for advancing the funds required for undertaking the developmental work. There is another class of cultivators who may not have transferable rights on land but for all practical purposes have permanent rights on the lands cultivated by them. There is yet another class of cultivators whose ownership of land cannot be confirmed in law because of the delay in implementing land reform measures. A number of persons interviewed by us have suggested that if a cultivator, out of any of these three categories approaches a land mortgage bank for a loan in respect of a production scheme, which, on examination is found to be technically sound and the borrower is adjudged to have sufficient repaying capacity for the loan he should be financed by the land mortgage bank provided the losses arising out of such cases are guaranteed by government to the extent of the shortfall in the security. We have examined this suggestion carefully and have come to the conclusion that it deserves to be accepted. Applications of this type should however be referred to special committees constituted at the level of primary land mortgage banks consisting of representatives of the primary land mortgage banks community development organisations and the government for examination. Such of them as are recommended by these committees could be sanctioned by the land mortgage banks on governments' guarantee to make good the losses arising therefrom to the extent of the shortfall in security. Government should by a general order, guarantee all loans recommended by these committees. The land mortgage banks need only communicate to government the recommendations of these committees and particulars of the loans sanctioned on the strength of those recommendations.

47. *Administrative and procedural measures*

The administrative and procedural measures that will ensure effective implementation of the policy of routing takavi loans through cooperatives are largely similar to those that will ensure strengthening of the cooperative credit structure for undertaking provision of agricultural credit. The Committee on Cooperative Credit has recently considered the measures to be adopted for the latter and as such we have not considered them afresh. We endorse the various recommendations made by the Committee on Cooperative Credit for strengthening the cooperative credit structure. We would however like to draw special attention of the Government of India, State Governments and the Reserve Bank of India to the recommendations relating to—

(*i*) Pattern of organisation of primary credit societies.

(*ii*) State partnership in primary credit scoieties.

(*iii*) Increasing the resources of cooperatives.

(*iv*) Relaxing the standards for fixing credit limits of cooperative banks and

(*v*) Avoiding competition between savings through cooperatives and the national savings scheme.

and urge upon them to implement these recommendations as quickly as possible so that the cooperative credit structure may play the role that is expected of it.

48. *Takavi loans for relief of distress*

48·1. In Chapter III we have mentioned that takavi loans issued for the relief of distress are not being indicated as such in the loan bonds but are being indicated as for some purpose connected with agricultural operations. As a result of this position it is almost impossible to distinguish loans issued for the relief of distress from the loans issued for genuine purposes connected with agricultural production and land improvement. Most of the State Governments have, in fact, found it difficult to give us an indication of the distress component of the takavi advances made by them. Takavi loans for the relief of distress are issued to rehabilitate agriculturists affected by calamities like famine, floods, etc. and they are often disbursed with the knowledge that they may not be recovered fully nor regularly. Since distress takavi loans are not shown separately in the accounts maintained by government, there is a tendency to go slow in the recovery of all takavi dues with the result that many agriculturists have remained defaulters in the payment of takavi dues for a number of years. Cooperative societies find it difficult to provide finance to agriculturists, especially for developmental purposes, if they are found to have defaulted in respect of takavi dues. We therefore recommend that (*i*) takavi loans for the relief of distress should be so indicated in the loan bonds and government accounts, (*ii*) effective measures should be taken for the timely recovery of the takavi loans issued for genuine production and land improvement purposes so that those who have taken the loans for these purposes will not remain defaulters on account of takavi dues and will not be debarred from obtaining loans from cooperatives (*iii*) recovery of cooperative dues should be given priority as against the outstandings of distress takavi loans.

48·2. The Committee on Cooperative Credit has in, Chapter VII of their report, stressed that cooperatives should provide production credit to cultivators, irrespective of whether they are owners, tenants or lessees, on the basis of their repaying capacity and on their producing adequate sureties where necessary. In other words credit worthiness and not the ownership of land should be the basis for making advances for seasonal agricultural operations. We reiterate these recommendations and urge upon the cooperatives to change over to this system without further delay so that in appropriate cases even defaulters on account of takavi dues may get necessary funds for seasonal agricultural operations.

48·3. The Ministry of Community Development and Cooperation in its letter No. F. 1-12/59-Coop. I dated 11th May 1959 relating to cooperative policy, had indicated to the State Governments that as a rule government should not, apart from takavi, advance loans to individuals and that all assistance should be channelled through cooperatives. In other words the policy indicated is that, as a general rule, grant of distress takavi should continue to be the responsibility of the State Governments. We commend the implementation of this policy. A view has been expressed that it would be advantageous if distress takavi is also distributed through cooperatives on such terms and conditions as may be agreed upon between government and the cooperatives. The disadvantage of such an arrangement would far outweigh the advantages if it is adopted as a general rule; but if the cooperatives of a particular area, affected by natural calamities, are financially strong enough and consider that they can undertake disbursement of distress takavi loans, without detriment to their normal business, they may be permitted to do so provided they undertake the work purely on an agency basis without being required to bear the risks involved with the specific approval of the Registrars of cooperative societies in each case.

Chapter VI

CONCLUSIONS

49. Having dealt with specific issues arising out of the terms of reference in the earlier chapter, it might be useful to review the report in brief and to indicate in general terms, our approach to the problems involved in the channelling of takavi loans through cooperatives.

50. As is well known, the agriculturists in the country depend, to a great extent, on borrowed funds both for seasonal agricultural operations and investments on developmental works. The quantum of institutional credit required by them annually for carrying out seasonal agricultural operations alone may roughly be estimated at Rs. 1,600 crores for short and medium-term purposes. In addition they require funds for long-term improvements on land etc. The institutional agencies which provide credit to the agriculturists are the government and the cooperatives. During the First and Second Five Year Plan periods, the quantum of government loans (takavi) advanced annually by all the State Governments, increased from about Rs. 18·6 crores at the commencement of the First Plan to about Rs. 41 crores at the end of the Second Plan. These advances are inclusive of distress loans which amount to one-fourth to one-third of the total. The grant of takavi loans during the final year of the Third Plan is estimated to be of the order of 55 crores. The outstandings of takavi loans at the end of the Second Plan period amounted to about Rs. 140 crores. The cumulative total of fresh government loans to cultivators during the five years of the Third Plan is estimated at Rs. 220 crores. The cooperatives, on the other hand, have expanded their loaning operations from Rs. 22·9 crores during 1950-51 to Rs. 202·74 crores during 1960-61. The owned resources of the agricultural primary credit societies have increased during the same period from Rs. 15·67 crores to Rs. 75·50 crores. The increase in 1960-61 was Rs. 12 crores. The target for the supply of short and medium-term loans by cooperatives during the last year of the Third Five Year Plan is Rs. 530 crores. Long-term loans outstanding at the end of 1960-61 were Rs. 34 crores. During the Third Plan period they are expected to rise to Rs. 150 crores, the disbursement during the final year of the Plan being about Rs. 40 crores. Thus governmental credit for agricultural production is only a fraction of the advances made by cooperatives. There is considerable duplication in the matter of financing agriculturists under the prevailing system of takavi and cooperative credit. In the interest of maximising agricultural production, which is the national policy, concentrated efforts have to be made firstly, to make available to the agriculturists larger amounts to match their requirements and secondly, to ensure that the optimum advantage is derived from such funds as are available. Towards this end, it is essential to define more clearly the respective roles and to rationalize the operations of takavi loans and cooperative credit. The scope for expanding takavi operations is, for various reasons discussed in detail in Chapter IV, limited but the credit operations of cooperatives show promise of rapid expansion if their organisation could be strengthened and resources supplemented by government to fill certain gaps and deficiencies. Further, the

cooperative method of financing agriculturists has the advantage that it can command the services of honorary workers, mobilise local resources, allow opportunity for direct participation by the persons affected and at the same time build up a popular and permanent credit organisation. In view of this position, cooperatives should be recognised as the normal channel for the provision of business credit to agriculturists for their agricultural operations and land improvement. The role of takavi operations should then be restricted to providing distress finance and forming a supplementary line of credit for purposes, which the cooperatives are not competent to take up. Such a transfer of responsibility to cooperatives should not, however, result in a shrinkage of the volume of credit that would otherwise have been made available to the agriculturists. This can be ensured only by maintaining the budgetary provisions at least at the level already planned and by channelling takavi loans through cooperatives, to the extent possible.

51. During our visits to the States, we noticed that the procedure adopted by the few States that have attempted channelling of takavi loans through cooperatives varied widely from State to State. It was therefore necessary to introduce a measure of uniformity as to the lines on which the policy of channelling takavi loans through cooperatives could be implemented effectively and with maximum advantage to all concerned. After examining all the relevant aspects, we have come to the conclusion that this has to be done by entrusting to the cooperatives the work of providing credit to agriculturists for normal production and land improvement purposes and by utilising the funds available with government, for financing agriculturists for these purposes, to supplement the resources of cooperatives. Since there is acute shortage in the medium-term resources available to the cooperatives, we have recommended that government funds should be utilised primarily to supplement the medium-term resources of the cooperative. In the interests of both government and the coorperatives, it would be advantageous to make these funds available in the form of loans to the state cooperative banks. Thei nterest on such loans may be the same as that at which funds from the Reserve Bank of India are lent to the state cooperative banks. If for any reason a State Government finds it difficult to make advances at this rate of interest it may charge a rate equal to the pooled rate of interest incurred by the apex cooperative banks of the State on its deposits or the rate at which it obtains loans from the Central Government whichever is less. The States should not find it difficult to accept the above in view of the fact that—

(*a*) the net return to them on takavi advances is not more than $2\frac{1}{4}$ to $2\frac{3}{4}$ per cent;

(*b*) a part of the funds lent by them is being derived from general revenues on which no interest is paid; and

(*c*) they will be relieved of the overhead cost of administering these loans and the risk of losses on the loans made to individuals, both of which will be borne entirely by the cooperatives.

52. The policy of channelling takavi loans through cooperatives could be implemented only if there is a sufficiently well developed cooperative organisation.

53. The cooperative structure in some of the States has not for various reasons gained the required strength. In other States, while the structure for short-term and medium-term financing is sufficiently strong, that for long-term financing is in the process of being built up. There are also some States where even the structure for short-term and medium-term financing is not well developed over quite large areas. Considering all these factors we have taken the view that in the nine States of Andhra Pradesh, Gujarat, Maharashtra, Kerala, Madhya Pradesh, Madras, Mysore, Punjab and Uttar Pradesh, short and medium-term loans should be issued exclusively by the cooperative structure which is strong enough to undertake the work, except for specific pockets and areas here and there which will have to be identified and cooperatives therein strengthened before discontinuing government loans. In the five States of Bihar, Orissa, West Bengal, Jammu and Kashmir and Rajasthan where the structure for short and medium-term financing has developed adequately only in certain regions, a district/area-wise phasing is desirable. Similarly in regard to long-term loans we have found that the land mortgage banking structure in the five States of Madras, Andhra Pradesh, Mysore, Maharashtra and Gujarat is well developed to take the entire burden of issuing long-term loans for all purposes except those which for reasons indicated in Chapter V have to be financed by government. In other States a district-wise and purpose-wise phasing will have to be adopted.

54. Assam State has to be considered separately because of the peculiar situation prevailing there which has resulted in a vicious circle as explained in Chapter V. Therefore, unless the movement in Assam is properly rehabilitated, it would not be desirable for the cooperative structure to undertake channelling of takavi loans.

55. One of the major problems we had to consider related to the interest rates payable by the ultimate borrowers. The interest rates on takavi loans are lower than those charged by cooperatives. It was, therefore, contended that the proposed change in the lending agency would ultimately result in an increase in the interest charges payable by the agriculturists, which in turn may affect agricultural production adversely. Short and medium-term loans are required by agriculturists, by and large, for seasonal agricultural operations. Provision of timely and adequate finance will to a great extent, compensate the effects of a slight increase in the interest rates in so far as short and medium-term loans are concerned. All the same, there would be no justification for any material difference in the rates of interest charged by government and the cooperatives for the same purpose. It would also be necessary to keep the interest rates of the cooperatives within reasonable limits. We have, therefore, recommended that short-term and medium-term loans for normal production and land improvement purposes should reach the ultimate borrowers at interest rates not exceeding $7\frac{1}{2}$ per cent to 8 per cent per annum depending upon the stage of development of the cooperative movement in the area concerned. In certain areas where cooperatives may have to charge interest rates above this limit on account of higher incidence of overhead charges in relation to the turnover, it would be necessary to grant them special assistance, in the initial stages, to enable them to bring down the lending rates within the limit recommended by us.

56. Long-term loans are required by agriculturists, mainly, for undertaking developmental works. The loan instalments and interest are to be paid out of

the additional income which the agriculturists would earn by undertaking developmental works. At the present level of agricultural economy, the profitability of these investments is by no means high. There is no guarantee that the prices of agricultural produce will remain remunerative over a number of years. Further, all developmental works may not produce the desired results. Then again the interest on developmental loans for agriculture should be in tune with the rates of interest charged on other comparable plan schemes. Considering all these we have recommended that long term loans for developmental purposes should reach the agriculturists at a reasonably low rate of interest, which should not exceed 6¼ per cent per annum. It will not be possible for the land mortgage banks to advance loans at this rate of interest in view of the high cost at which they have to raise funds from the market. Government should in our view grant financial assistance to the land mortgage banks for meeting their overhead costs to the extent required to enable them to make advances for developmental purposes at a rate of interest not exceeding 6¼ per cent.

57. Another important problem that had to be considered related to the financing of non-members. There is no justification for providing a second line of credit to cater to a section of agriculturists who do not want to join cooperatives, as members. The national policy being that of building up a cooperative commonwealth, it is the responsibility of all government agencies to make efforts to achieve it. Hence if any person approached government with a loan application, it would be necessary to persuade him to join a cooperative and obtain the necessary loan from it. If he is unable to find funds to make the initial contribution to the share capital of a cooperative society, it should be permissible for him to pay the share capital in instalments and obtain loans on the basis of his subscribed share capital.

58. A suggestion was made to us that provision will have to be made for a second line of credit in case the cooperative agency failed to discharge its responsibility in any area. We do not see any particular advantage in providing a specific machinery to meet such a situation. The popular character of the cooperative institutions, built-in-checks and safeguards in the hierarchy of the cooperative structure, the Registrar's powers of supervision and control and pressure of local opinion should be allowed to play their part in finding an appropriate solution whenever such contingencies arise.

59. The fact that cooperatives have been made responsible for financing agriculturists, in so far as their normal production and land improvement requirements are concerned, should not be construed to mean that government no longer holds any responsibility in this regard. It should continue to make budgetary provisions to finance agriculturists for these purposes and utilise such provisions to strengthen the organisation and to supplement the resources of the cooperatives, till the cooperatives become self-sufficient. It should also continue to provide all technical assistance and guidance to the agriculturists. Further, there are certain schemes which call for close supervision and technical guidance by government. There are certain other schemes for which it will not be possible for the cooperatives to provide finance at the present juncture. The responsibility to finance agriculturists for these schemes should continue to be that of government even after implementing the scheme of channelling takavi loans through cooperatives.

60. Grant of loans for the relief of distress should, as a rule, be the responsibility of government. However, if the cooperatives in a particular area affected by natural calamities are strong enough and consider that they can undertake disbursement of small amounts of loans for rehabilitating the agriculturists so affected, without detriment to their normal business, they may be permitted to do so with the specific approval of the Registrar of Cooperative Societies in each case, provided such disbursements are made purely on an agency basis on the payment of a reasonable commission.

B. P. Patel—*Chairman*

V. Kodanda Rama Reddy—*Member*

B. D. Pande—*Member*

Satish Chandra—*Member*

T. P. Singh—*Member*

G. D. Goswami—*Member*

Y. N. Verma—*Member*

R. Tirumalai—*Member*

M. S. Menon—*Member*

B. S. Dhavle—*Member Secretary*

New Delhi, the 31st August, 1962

I am in agreement with the recommendations contained in the report.

(Sd.) K. P. PANDE

Member

31st August, 1962

I am in agreement with the recommendations contained in the report.

(Sd.) L. N. BONGIRWAR

Member

31st August 1962

SUMMARY OF RECOMMENDATIONS

Serial No.	Recommendations	Para No.	Page No.
1	Statistical data relating to takavi operations are not readily available with State Governments. They should therefore arrange for the maintenance of department-wise and consolidated up-to-date information relating to takavi operations.	20·1	18
2	Cooperatives should be accepted as institutional agency to provide credit to agriculturists for normal production and land improvement purposes subject to certain exceptions and government should discontinue the issue of such loans to them directly.	37·3	45
3	There are certain purposes for which because of the technical nature of the operations or the financial risks involved or delayed returns on investment, it will not be possible for the cooperatives to finance agriculturists. Government will have to continue to provide finance directly to the agriculturists for these purposes.	37·3	45
4.	The responsibility to provide the entire finance required by agriculturists for normal production and land improvement purposes, excluding those purposes which it will not be possible for them to finance for special reasons, should be transferred to the cooperatives according to a phased programme.	37·3	45
5.	When cooperatives become the sole agency to provide credit to agriculturists for nomal production and land improvement purposes, the funds available with government for making advances to agriculturists should be utilised to supplement the resources of the cooperatives.	37·4	45
6	After transferring to the cooperatives the responsibility to finance agriculturists, government should continue to make budgetory provisions in an increasing measure for financing agriculturists and utilise such provisions for strengthening the structure and resources of the cooperatives.	37·4	45
7	All development departments of government should continue to provide the technical guidance and other assistance that will be required in preparing and processing applications for loans even after cooperatives take over the work.	37·4	45
8	Some States have not yet taken effective steps to rationalise the central banking structure so as to have one central cooperative bank for each district. The concerned State Governments should take steps to complete this programme as quickly as possible.	38·5	46
9	Cooperative banks have to make more determined efforts to attract deposits not only by offering competitive rates of interest but also by providing certain essential banking facilities and services. Among the minimum of such facilities would be issue of cheque books and demand drafts coupled with making effective arrangements for clearing such documents at the various clearing houses in the country.	38·9	48
10	One of the services which the depositing clients expect from their banks is occasional overdraft accommodation—which is different in character from the grant of loans and cash credits—to help them tide over emergent temporary difficulties. Cooperative banks should therefore have the freedom to offer occasional and small overdrafts to their depositing clients—both individuals and public institutions. There should be specific limits both in regard to individual accommodation (which should bear a proportion to monthly income) and total limits so granted which should not exceed a specified proportion of the overall deposits of the institution concerned.	38·9	48

SUMMARY OF RECOMMENDATIONS—*contd.*

Serial No.	Recommendations	Para No.	Page No.
11	The implementation of the scheme of opening branches by central cooperative banks should be accelerated and States should provide adequate assistance to central cooperative banks to cover losses that might be incurred by their branches till they become self-supporting.	38·10	48
12	The short and medium-term credit structure in the nine States of Andhra Pradesh, Gujarat, Maharashtra, Kerala, Madhya Pradesh, Madras, Mysore, Punjab and Uttar Pradesh is sufficiently developed both organisationally and financially except for certain specific pockets to be identified as areas of inadequate cooperative development. Government in these nine States should therefore discontinue issuing of short and medium-term takavi loans for purposes of normal production and land improvement and entrust the work exclusively to the co-operatives, leaving out certain pockets and certain purposes which it will not be possible for them to finance for various reasons.	38·19	54
13	The development of the cooperative structure has lagged behind, for various reasons, in certain parts of Jammu and Kashmir, Orissa, Rajasthan and West Bengal. In Bihar, huge takavi overdues, in some districts, have handicapped cooperative development. Government in these five States of Jammu and Kashmir, Orissa, Rajasthan, West Bengal and Bihar should in the first instance discontinue issuing of short and medium-term takavi loans for normal production and land improvement in selected cooperatively developed districts/areas only. The scheme should be extended to other districts/areas as and when the cooperative structure there gathers adequate strength so that ultimately no district/area is left outside the purview of the scheme.	38·19	54
14	Government of Assam should continue issuing of takavi loans and simultaneously take steps to revitalise and strengthen the cooperative institutions. The question of channelling takavi loans through cooperatives in Assam should be considered by the State Government only after the process of rehabilitation is completed.	38·19	54
15	The principles that have been applied to the States in deciding the question of channelling takavi loans through cooperatives should apply to Union Territories also.	38·19	54
16	The land mortgage banking structure in any State should ultimately be a federal one with a central land mortgage bank at the State level and primary land mortgage banks at a lower level. In States where central land mortgage banks are financing agriculturists directly through branches, it would be advantageous to organise primary land mortgage banks at the district level.	38·22	56
17	In States where primary land mortgage banks are functioning at the district level, there should be some agency at a level below the district which is easily accessible to the agriculturists. The primary land mortgage banks in such States should take steps to open branches at the tehsil or taluka/block headquarters if they have not already done so.	38·22	56
18	With a view to reduce delays in the sanctioning of loans power to sanction loans upto certain limits should be delegated to primary land mortgage banks and their branches and the branches of central land mortgage banks.	38·25	57

SUMMARY OF RECOMMENDATIONS—*contd.*

Serial No.	Recommendations	Para No.	Page No.
19	As in the case of Maharashtra and Gujarat States, the other States also may consider the amendment of the Cooperative Societies Act to include provisions extending to land mortgage banks the special privileges that are available to Government in the matter of security and recovery of loans under the Land Improvement Loans Act which would induce land mortgage banks to advance loans in an increasing measure and help to reduce delays in the sanctioning of loans.	38·25	57
20	The land mortgage banking system has gained considerable strength in Madras, Andhra Pradesh, Mysore, Maharashtra and Gujarat. Government in these five States may therefore discontinue issuing of long-term takavi loans, except for those purposes which the land mortgage banks are not in a position to finance at the present juncture and entrust the work exclusively to the land mortgage banks. In other States, a purpose-wise and region-wise phasing will have to be adopted.	38·26 & 38·27	58
21	The recommendations of the Committee on Cooperative Credit to raise the Reserve Bank's annual contribution to the Long-Term Operations Fund to Rs. 15 crores should be implemented as early as possible for augmenting the medium-term resources of cooperatives.	39·6	60
22	Cooperatives should be helped to raise substantial amounts by way of time-deposits by introducing some measure comparable to the deposit insurance scheme introduced in the case of commercial banks. Attention is also drawn in this connection to the guarantee scheme introduced by the Government of Madras in respect of fixed deposits with cooperative banks for more than 3 years.	39·7	61
23	The quantum of medium-term funds that would be made available to central cooperative banks through reimbursement should not be less than that available under the credit limits applicable to them in accordance with the recommendations of the Mehta Committee.	39·8	61
24	The funds earmarked by Government for making short-term and medium-term advances to agriculturists for normal production and land improvement purposes, excepting those for implementing schemes which the co-operatives are not in a position to finance at the present juncture, should be utilised mainly to supplement the medium-term resources of the co-operative structure.	39·9	61
25	Government funds which can be utilised for supplementing the resources of co-operatives should be made available to the cooperative structure, preferably in the form of medium-term loans.	39·12	62
26	In exceptional cases where the owned funds of cooperative institutions need strengthening, a part of government funds as can be routed through cooperatives may be utilised for share capital participation in cooperative institutions, if it is found difficult to obtain funds for this purpose from the Reserve Bank of India.	39·13	62
27	Government loans to supplement the resources of the cooperative structure should be routed through the state co-operative banks.	39·14	62

SUMMARY OF RECOMMENDATIONS—*contd.*

Serial No.	Recommendations	Para No.	Page No.
28	The rate of interest on Government loans for supplementing the resources of the cooperative structure may be the same as that charged by the Reserve Bank of India on the medium-term advances made by it to the state cooperative banks. If for any reason a State Government is unable to advance loans at this rate, the rate of interest may be equal to the pooled rate of interest incurred by the state cooperative bank concerned on its deposits or the rate at which the State Government obtains loans from the Central Government, whichever is less.	39·14	62
29	To overcome the difficulty experienced by central land mortgage banks in obtaining and utilising interim accommodatins being provided by the State Bank of India, State Governments should sanction continuing guarantees in respect of such accommodation and the State Bank of India should renew the accommodation from time to time on the basis of such continuing guarantees. This procedure should apply to interim accommodation from state cooperative banks as well.	39·16	63
30	State participation in the share capital of central land mortgage banks should be related to their requirement of interim finance and matching contribution should not be insisted upon in such cases.	39·17	64
31	The rate of interest on interim finance provided to central land mortgage banks by State Governments should be the same as that at which they raise funds from the Central Government or open market.	39·18	64
32	Interest rate on the interim finance being provided by the State Bank of India to central land mortgage banks should not exceed by ½% the basic rate at which the State Bank of India is eligible for accommodation from the Reserve Bank of India on the security of government paper.	39·18	64
33	The recommendations made by the Committee on Cooperative Credit for securing assured support from various agencies in the public and cooperative sectors for the debentures floated by land mortgage banks should be implemented.	39·19	65
34	The Government of India should expedite the setting up of the proposed Refinance Corporation for Agriculture so that it may help the central land mortgage banks in finding long-term resources.	39·19	65
35	Well-established central land mortgage banks should be permitted to issue debentures in excess of the amount covered by mortgages to enable them to muster enough funds to maintain continuity in their loaning operations.	39·20	65
36	State Governments should make over to the cooperative land mortgage banks at least 50% of the dividend due to them in excess of the interest payable to the Reserve Bank on the amounts borrowed for investment in the shares of cooperative land mortgage banks for strengthening their Agricultural Credit (Stabilisation) Funds for enabling them to give short postponements of instalments in years of scarcity and to meet unforeseen contingencies.	39·21	65
37	State Governments should continue to make budgetary provisions for advancing long-term loans to agriculturists for such purposes as have been transferred to the land mortgage banks and such provision should, after meeting the requirement for managerial grants and other subsidies, be utilised primarily for supplementing the medium-term resources of the cooperative structure. Such funds may also be utilised for meeting the shortage of interim finance experienced by cooperative land mortgage banks and for purchasing debentures floated by them where necessary.	39·22	65

SUMMARY OF RECOMMENDATIONS—*contd.*

Serial No.	Recommendation	Para No.	Page No.
38	While assessing the credit needs of an agriculturist all his needs should be taken into account. Societies should be assisted to organise ad-hoc chit funds for meeting the social needs of members. They should also be encouraged to build up special funds for meeting special needs of members. Societies which show tangible results on these lines should further be permitted to utilise a portion of their owned funds for these purposes if this can be done without affecting adversely their borrowing capacity for purposes of production.	40·1	66
39	Land mortgage banks should, while concentrating on financing development works, be free to issue loans for liquidating all categories of secured prior debts.	40·2	66
40	Effective measures should be taken wherever necessary to adjust the burden of prior debts, especially government debts, incurred under conditions of distress and to arrange for their repayment in easy instalments over a period consistent with the repaying capacity of the debtors, so as to enable cooperatives to make advances to their members in a normal business-like manner without fear of the first charge of Government on their properties standing in the way of effecting recoveries.	41	67
41	Cooperatives in backward areas should be treated on a special footing and given adequate managerial grant which may be on a more liberal scale and for a longer period than that to societies in developed areas.	42	68
42	Cooperatives may continue to charge their economic lending rate on short and medium-term loans even after becoming the sole institutional agency to provide all such loans required by agriculturists for normal production and land improvement purposes.	43·2	69
43	The economic lending rate of cooperatives on short-term and medium-term loans should not be more than $7\frac{1}{2}\%$ to 8% depending upon the development of the cooperative movement in each area.	43·3	69
44	Central cooperative banks in Kerala should work out a pooled rate, taking into account the interest paid on all borrowings and deposits and make advances to cooperatives at a uniform rate of interest irrespective of the source of funds.	43·3	69
45	Societies which are charging higher rates of interest may be given some special assistance to enable them to bring down their lending rates to the level prevailing in the cooperatively developed States or areas. This special assistance may take the form of additional managerial grant over and above the normal grant of Rs. 900 spread over a period of five years and the Central Government should offer encouragement to the States in this regard by recognising the additional expenditure for central assistance in the proportion already prescribed for sharing managerial assistance.	43·3	69
46	Cooperatives should review their economic lending the rate from time to time with a view to bringing them down to the extent possible.	43·4	70
47	The rate of interest on long-term loans advanced to agriculturists for undertaking works of agricultural development should be kept reasonably low. It is for the State Government to decide as to what should be this reasonable rate, but it should not be above $6\frac{1}{2}\%$.	43·8	72

SUMMARY OF RECOMMENDATIONS—*contd.*

Serial No.	Recommendation	Para No.	Page No.
48	State Governments should assist the land mortgage banks in advancing loans for developmental purposes at reasonably low rates of interest by liberalising grants for meeting overhead costs on the technical and managerial staff employed by them and their branches and by providing subsidy at a rate equal to the difference between their economic lending rate and the prescribed reasonable rate of interest.	43·8	72
49	Adequate number of land valuation officers—as far as possible one for each branch or principal office of a primary land mortgage bank—should be placed at the disposal of the land mortgage banks. The financial assistance from government for the land valuation officers and for the managerial and supervisory staff attached to primary land mortgage banks and branches of primary and central land mortgage banks should be available for four years instead of three years on the same pattern as in the eastern States, viz. full cost in the first two years and 2/3rds and 1/3rd cost in the subsequent two years.	43·9	72
50	Long-term loans for redemption of prior debts and purchase of lands have to be treated on a different footing and they may not call for concessional rates of interest.	43·10	73
51	The preparation of production plans may be the responsibility of Panchayati Raj institutions while the responsibility to finance such plans should be that of the cooperatives.	44·9	76
52	Cooperatives should be closely associated with the preparation of production plans at all stages. They should however be free to make advances to agriculturists after paying due regard to the objectives of the production plans.	44·9	76
53	Cooperative institutions will be in a position to give an indication of their resources position and quantum of funds that may be available with them for making advances during a particular season. These should be taken into account while preparing production plans and cooperatives should be expected to provide funds only up to such limits.	44·9	76
54	The loans policy of the cooperatives and other matters in which the panchayats are legitimately interested may be discussed in joint meetings of the panchayats and the managing committees of the cooperatives. The panchayats may formulate suggestions on the activities of the cooperatives on the basis of such discussions and communicate them to the zila parishads which may take them up with district level cooperative institutions or with departmental officers, if necessary.	44·9	76
55	An agriculturist desiring to avail of institutional credit should join as member of the local cooperative society recognised by the government for this purpose and conform to the usual terms and conditions applicable to borrowing members.	45·3 & 45·5	78 & 79
56	Cooperatives should implement as early as possible the recommendation of the Committee on Cooperative Credit relating to financing upto Rs. 200 of persons who do not have enough money to purchase the requisite number of shares in one instalment.	45·4	78
57	Agriculturists who do not desire to continue as members of cooperatives after repaying the amounts borrowed by them should be given facility to withdraw from membership and to obtain refund of the share capital invested by incorporating necessary provisions in the bye-laws of cooperatives.	45·5	79

SUMMARY OF RECOMMENDATIONS—*concld.*

Serial No.	Recommendation	Para No.	Page No.
58	Land mortgage banks should also finance cultivators not eligible for loans under normal rules irrespective of whether they are small holders or persons having for all practical purposes permanent rights though not transferrable rights on the lands cultivated by them or persons whose ownership of land cannot be confirmed in law provided (*a*) the loans are required for implementing production schemes which on examination are found to be technically sound, (*b*) the cultivators are adjudged to have sufficient repaying capacity and (*c*) government guarantees to make good the losses arising out of such financing to the extent of the short-fall in the security.	46	80
59	Special Committees should be constituted at the level of primary land mortgage banks consisting of representatives of primary land mortgage banks, community development organisations and government for examining the loan applications of cultivators who are not eligible for loans under normal rules. The applications recommended by such Committees only need be sanctioned by land mortgage banks. Government should by a general order extend guarantee to all loans sanctioned by the land mortgage banks on the recommendations of these Committees.	46	80
60	To enable cooperatives to play the role that is expected of them, the recommendations of the Committee on Cooperative Credit relating to (*i*) pattern of organisation at the village level, (*ii*) state partnership in primary credit societies (*iii*) increasing the resources of cooperatives (*iv*) relaxing the standards for fixing the credit limits of cooperative banks and (*v*) avoiding competition between national small savings and savings through cooperatives should be implemented by all concerned as quickly as possible.	47	80
61	Takavi loans for relief of distress should be indicated as such in government records.	48·1	81
62	Recovery of cooperative dues should be given priority as against the outstandings of distress takavi loans.	48·1	81
63	Effective measures should be taken for the timely recovery of takavi loans issued for genuine production and land improvement purposes so that those who have taken takavi loans for these purposes will not remain defaulters on account of takavi dues and will not be debarred from obtaining loans from cooperatives.	48·1	81
64	Cooperatives should change over to the system of making available production credit to agriculturists on the basis of their repaying capacity and on their producing adequate sureties irrespective of whether they are owners, tenants or lessees without further delay so that even defaulters on account of takavi dues may be able to obtain necessary credit for seasonal agricultural operations.	48·2	81
65	Grant of loans for relief of distress shall as a rule be the responsibility of government.	48·3	82
66	Cooperatives of a particular area affected by natural calamities may be permitted to disburse distress takavi loans if they are financially strong enough and consider that they can undertake the work without detriment to their normal business, provided they function purely on an agency basis without being required to bear the risks involved and obtain the specific sanction of the Registrar of Cooperative Societies in each case.	48·3	82

APPENDIX I

COMMITTEE ON CHANNELLING TAKAVI LOANS THROUGH COOPERATIVES

QUESTIONNAIRE

I—General

1. What is the state government's policy regarding routing of takavi (Government) loans for production and land improvement through the cooperative agency? Has it been implemented? If not, what is the present position? ....

2. Do you consider that all government loans, except distress takavi should be routed through cooperatives ? If not, give reasons. ....

3. Do you consider the cooperative structure in the state at various levels sufficiently developed in all respects to handle government loans also? If not, what measures would you suggest for enabling it to handle such loans? ....

4. Will the borrowing power of the cooperative institutions be sufficient if all finance for agricultural production and land improvement is to be channelled through them? If not, what measures do you suggest for overcoming this difficulty? ....

5. If government loans are to be routed through cooperatives do you consider that the rate of interest charged by cooperatives for advancing them should be the same as that charged by government? Do you consider it desirable to charge two rates of interest or would you suggest that a uniform rate should be charged by cooperatives irrespective of the source of funds? Please give reasons. ....

6. If loans are to be advanced by a cooperative society at two different rates, one of which is lower than its economic lending rate, what financial help would be needed to make good the difference and to enable the society to meet its administrative expenses? ....

7. Please mention other general suggestions, if any, for implementing the policy of routing takavi loans through cooperatives or entering into special arrangements with cooperatives for enlarging the quantum of assistance for production and land improvement. ....

APPENDIX I—*contd.*

II—PROCEDURAL

1 (*a*) What are the different schemes under which loans are issued for increasing agricultural production and for land improvement under the Agricultural Loans Act and Land Improvement Loans Act? Exclude loans for distress, famine, etc. ....

(*b*) Please state the periods for which loans under each scheme are given and the nature of security taken. ....

2. Please indicate the procedure adopted for increasing the quantum of loans for production and for land improvement. ....

3. If loans are given by more than one department, how is coordination achieved? ....

4. Indicate separately the estimated cost of processing applications upto disbursement, maintenance of accounts and recovery of takavi loans during the past three years. (Information may be given to the extent available. If no separate staff has been appointed for this work exclusively, proportionate cost may be assumed. If information for the whole state is not available; information relating to a division/district may be given for the last three years). ....

5. What is the procedure adopted to ensure that loans are utilised for the purpose for which they are granted? ....

6. What is the procedure regarding recovery of government loans? How are prompt recoveries ensured? ....

7. Are the loans recovered treated as revenues of the state or are they ploughed back as loans? ....

8. Please state the measures employed to reduce overdues? How far these measures have been successful? ....

9. What was the amount of unauthorised arrears pending at the end of the last financial year for which figures are available? How much of this amount was pending for more than two years? ....

10. Are Government loans for agricultural production and land improvement granted to any agencies or groups besides individuals? If so, indicate agencies etc. to which such loans are granted. ....

11. Is not a part of the budget under the C.D. Programme utilised for advancing loans to the community as a whole, or a part of the community? What is the proportion of such loans given for creating community assets? ....

12 Can the loans given for creating community assets be routed through cooperatives (Loans to panchayats and cooperative farming societies are examples). Are any special arrangements necessary for this ? ....

13. (*a*) Is any portion of the loans given by government treated as subsidy? If so, how can such loans be routed through cooperatives ? ....

(*b*) It would be discriminatory if cooperatives are required to treat part of the government loans advanced by them to some of their members as subsidy. Will this not be detrimental to the interests of cooperatives? How can this difficulty be overcome? ....

14. Indicate the budgeting procedure adopted in respect of takavi loans. Does the budget show schemewise allotments? ....

15. Please state the bottlenecks and difficulties, if any, encountered in the existing procedure of routing takavi loans through cooperatives. What are your suggestions to remedy them? ....

APPENDIX I—*contd.*

III—FACTUAL

Pleaes give data in the following proforma

(Rs. in crores)

	1957-58		1958-59		1959-60		1960-61	
	Direct.	Thro. Coops.	Direct.	Thro. Coops.	Direct.	Thro. Coops.	Direct.	Thro. Coops
	1	2	3	4	5	6	7	8
1. What was the amount of Government loans issued to agriculturists ? as—								
(a) Takavi loans for production, land improvement, and relief of distress issued by the RD—								
(i) Short-term (5 to 15 months)								
(ii) Medium-term (15 months to 5 years).								
(iii) Long-term (over 5 years) ..								
Total ..								
(b) CD loans for production and land improvement—								
(i) Short-term								
(ii) Medium-term.								
(iii) Long-term								
Total ..								
(c) GMF Loans for production and land improvement—								
(i) Short-term								
(ii) Medium-term								
(iii) Long-term								
Total ..								
GRAND TOTAL ..								
2. What was the demand for each year?—								
(a) Takavi loans for production, land improvement and relief of distress issued by RD—								
(i) Short-term								
(ii) Medium-term								
(iii) Long-term								
Total ..								
(b) CD Loans for production and land improvement—								
(i) Short-term								
(ii) Medium-term								
(iii) Long-term								
Total ..								

APPENDIX I—*contd.*

	1957-58		1958-59		1959-60		1960-61	
	Direct.	Thro. Coops.	Direct.	Thro. Coops.	Direct.	Thro. Coops.	Direct.	Thro. Coop.
	1	2	3	4	5	6	7	8
(*c*) GMF Loans for production and land improvement—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								
GRAND TOTAL ..								
3. What was the amount recovered during each year?—								
(*a*) Takavi oans for production, land improvement and relief of distress issued by RD—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								
(*b*) CD Loans for production and land improvement—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								
(*c*) GMF Loans for production and land improvement—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								
GRAND TOTAL ..								
4. What was the amount outstanding at the end of each year?—								
(*a*) Takavi loans for production, land improvement and relief of distress issued by RD—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								
(*b*) CD Loans for production and land improvement—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								

APPENDIX I—*contd.*

	1957-58		1958-59		1959-60		1960-61	
	Direct.	Thro. Coops.	Direct.	Thro. Coops.	Direct.	Thro. Coops.	Direct.	Thro. Coops.
	1	2	3	4	5	6	7	8
(*c*) GMF Loans for production and land improvement—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								
GRAND TOTAL ..								
5. What were the overdues at the end of each year?—								
(*a*) Takavi loans for production and land improvement and relief of distress—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								
(*b*) CD Loans for production and land improvement—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								
(*c*) GMF loans for production and land improvement—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								
GRAND TOTAL ..								
6·1. What was the amount of unauthorised arrears pending at the end of each year? —								
(*a*) Takavi loans for production, land improvement and relief of distress issued by RD—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								
(*b*) CD Loans for production and land improvement—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								

APPENDIX I—*contd.*

	1957-58		1958-59		1959-60		1960-61	
	Direct.	Thro. Coops.	Direct.	Thro. Coops.	Direct.	Thro. Coops.	Direct.	Thro. Coops.
	1	2	3	4	5	6	7	8
(*c*) GMF Loans for production and land improvement—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								
GRAND TOTAL ..								
6·2. Of the unauthorised arrears indicated in 6·1 above, how much was pending for more than 2 years?—								
(*a*) Takavi loans for production, land improvement and relief of distress issued by RD—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								
(*b*) CD Loans for production and land improvement—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								
(*c*) GMF Loans for production and land improvement—								
(*i*) Short-term								
(*ii*) Medium-term								
(*iii*) Long-term								
Total ..								
GRAND TOTAL ..								
7. What was the amount written off by Government?—								
(*a*) Takavi loans for production, land improvement and relief of distress issued by RD.								
(*b*) C.D. Loans for production and land improvement.								
(*c*) GMF Loans for production and land improvement								
Total ..								

APPENDIX I—*concld.*

	1957-58		1958-59		1959-60		1960-61	
	Dir-ect.	Thro. Coops.	Dir-ect.	Thro. Coops.	Dir-ect.	Thro. Coops.	Dir-ect.	Thro. Coops.
	1	2	3	4	5	6	7	8
7·1*. What is the total cost of Govt. on advancing takavi loans (inclusive of cost of processing, applications, disbursement of loans, maintenance of account, recoveries etc.) as a percentage of the total amount advanced ?								
8. Please give data regarding funds provided through cooperatives under special arrangements made by state governments if any, in a separate statement on the above lines.								
9. What are the normal rates of interest charged for short-term, medium-term and long-term production and land improvement loans by ?—								
(a) Government								
(b) Cooperatives								
10. Please enclose copies of instructions, if any, issued regarding—								
(a) Issue of direct government loans,								
(b) Issue of govt. loans through co-operatives; and								
(c) Special arrangements made with cooperatives for providing increased finance for agricultural production and land improvement.								
11. What is the total loan content of plan schemes for agricultural production and land improvement included in the Third Plan. Scheme-wise break-up may be indicated.								

*For Maharashtra and Gujarat States only.

APPENDIX II

LIST OF OFFICIALS AND NON-OFFICIALS TO WHOM THE QUESTIONNAIRE WAS SENT, AS MENTIONED IN PARA 4 ITEM (*ix*)

1. Shri V.L. Mehta, Chairman, Khadi and Village Industries, Commission, Bombay.
2. Shri R.G. Saraiya, Navsari Chambers, Fort Bombay.
3. Shri Lal Singh, 7, Kotah House, New Delhi.
4. Prof. D.G. Karve, Reserve Bank of India, Bombay.
5. Shri B. Venkatappiah, Dy. Governor, Reserve Bank of India, Bombay.
6. Shri J.C. Rayan, Chief Officer, Agri. Credit Department, Reserve Bank of India, Bombay.
7. Shri B. Mukerjee, Managing Director, State Bank of India, Bombay.
8. Shri H. Yarkhan, Chief Officer, Rural Credit Section, State Bank of India, Bombay
9. Shri A. Palaniappa Mudaliar, Retired Registrar of Co-op. Societies, Madras.
10. Prof. K. Subrahmanyam Naidu, Andhra University, Waltair.
11. Dr. A. U. Sheikh, Commissioner, Nagpur.
12. Shri F. N. Rana, Commissioner, Baroda.
13. Shri M. R. Bhide, Secretary, Ministry of Community Development, P.R. and Co-operation.
14. Shri S. S. Puri, Dy. Secretary, Ministry of Comm. Dev. P.R. and Co-operation.
15. Shri M. P. Bhargava, Addl. Co-op. Commissioner, Ministry of C.D., P.R. and Co-operation.

APPENDIX III

LIST OF OFFICIALS AND NON-OFFICIALS INTERVIEWED

I—OFFICIALS

Central Government

1. Shri M. R. Bhide, Secretary, Ministry of C.D., P.R. and Co-operation.
2. Shri P.V.R. Rao, Additional Secretary, Ministry of C.D.P.R. and Co-operation.
3. Shri Tarlok Singh, Additional Secretary, Planning Commission.
4. Shri G.R. Kamat, Secretary, Deptt. of Agriculture, Ministry of Food and Agriculture.

Reserve Bank of India

1. Shri B. Venkatappiah, Deputy Governor.
2. Shri J.C. Rayan, Chief Officer, Agricultural Credit Department.

State Bank of India

1. Shri B. Mukerjee, Managing Director.
2. Shri H. Yarkhan, Secretary and Treasurer.

STATE GOVERNMENTS

Andhra Pradesh

1. Shri M.P. Pai, Chief Secretary and Development Commissioner.
2. Shri Abbasi, Finance Secretary.
3. Shri M.R. Pai, Joint Secretary, Co-operation.
4. Shri Joseph Reddy, Joint Registrar of Co-operative Societies.
5. Shri Pratap Reddy, Deputy Development Commissioner.
6. Shri K. N. Lal, Deputy Development Commisioner.

Assam

1. Shri S.C. Kagty, Development Commissioner.
2. Shri J. N. Das, Deputy Development Commissioner and Secretary, Panchayats.
3. Shri S. B. Barooah, Director of Agriculture.
4. Shri S. Choudhry, Additional Director Agriculture.
5. Shri K. K. Phukkan, Registrar of Co-operative Societies.
6. Shri P. S. Mazumdar, Joint Secretary, Co-operation.
7. Shri D.C. Dutt, Deputy Secretary, Finance.
8. Shri S. Sarkar, Deputy Secretary, Revenue.

Bihar

1. Shri T.P. Singh, Development Commissioner.
2. Shri S. N. Singh, Secretary, Planning.
3. Shri M. K. Mukherjee, Secretary, Community Development.
4. Shri S. Dutt, Secretary, Finance.
5. Shri N.K. Prasad, Secretary, Revenue.
6. Shri I. Prasad, Director, Gram Panchayats.
7. Shri H. N. Thakur, Secretary, Agriculture.
8. Shri B. P. Akhoury, Director of Agriculture.
9. Shri R. C. Sinha, Secretary, Co-operation.
10. Shri L. Dayal, Registrar of Co-operative Societies.

Gujarat

1. Shri R. N. Desai, Secretary, Co-operation.
2. Shri V. L. Gidwani, Secretary, Finance.
3. Shri V.R. Mehta, Registrar of Co-operative Societies.
4. Shri L. R. Dalal, Secretary, Agriculture and Lands Department.
5. Shri G. A. Patel, Director of Agriculture.
6. Shri F. N. Rana, Commissioner, Baroda Division.

Jammu & Kashmir

1. Sri S. A. Agha, Registrar of Co-operative Societies.
2. Shri Pushkarnath Kaul, Secretary, Agriculture.
3. Shri S. M. Agha, Development Commissioner.
4. Shri Gulam Nabi, Secretary, Revenue.
5. Shri P. N. Chaku, Secretary, Finance.
6. Shri G.M. Butt, Director of Agriculture.

APPENDIX III—*contd.*

Kerala

1. Shri C. Thomas, Member, Board of Revenue.
2. Shri Janardhanan Nair, Director of Agriculture.
3. Shri K.C. Sankaranarayanan, Secretary, Agriculture (including Co-operation).
4. Shri Kerala Verma, Secretary, Revenue.
5. Shri S. Ananthakrishnana, Development Commissioner.
6. Shri P.S . Padmanabhan, Secretary, Finance.
7. Shri B. Achutan Nambiar, Registrar of Co-operative Societies.

Madhya Pradesh

1. Shri Varma, Secretary, Co-operation.
2. Shri Dube, Deputy Secretary , Co-operation.
3. Shri Devindernath, Registrar of Co-operative Societies.
4. Shri P.S. Bapna, Development Commissioner and Secretary, Panchayats.
5. Shri Gupta, Secretary, Revenue.
6. Shri Godbole, Secretary, Finance.
7. Shri Chakrabarti, Deputy Secretary, Finance.
8. Shri Tillo, Joint Director, Agriculture.
9. Shri S.C. Verma, Collector, Raipur.

Madras

1. Shri R. Tirumalai, Additional Secretary, Industries, Labour and Co-operation Department.
2. Shri V. K. Appandarajan, Joint Registrar of Co-operative Societies
3. Shri G.A. Venkatesan, Secretary, Finance.
4. Shri G.A. Verghese, Secretary, Finance.
5. Shri V. Karthikeyan, Director of Agriculture.
6. Shri J. Sivanandan, Secretary Revenue.
7. Shri Raghupathi Rao, Additional Secretary, Revenue and Commissioner, Agriculture.

   Income tax.
8. Shri M. J. Jairaj, Deputy Secretary, Revenue.
9. Miss Sathyabhama, Deputy Secretary, E & PH Department.
10. Shri Seshan, Deputy Secretary, Panchayats.

Maharashtra

1. Shri Pradhan, Secretary, Revenue.
2. Shri Yardih, Secretary, Finance.
3. Shri Sathe, Secretary, Cooperation and Rural Development Department.

Mysore

1. Shri T. V. Reddy, Secretary, Cooperation.
2. Shri Marudeva Gowda, Registrar of Coop. Societies.
3. Shri Thammayya, Joint Registrar of Coop. Societies.
4. Shri Subbanna, Director of Agriculture.
5. Shri G. Mathais, Secretary, Finance.
6. Shri S.A..L. Razvi, Development Commissioner.
7. Shri Narasimha Rao, Secretary, Revenue.

Orissa

1. Shri B. Shivaraman, Chief Secretary and Development Commissioner.
2. Shri A. C. Bandyopadhyay, Secretary, Cooperation.
3. Shri K.S. Bawa, Registrar of Coop. Societies.
4. Shri G.C. Das, Secretary, Agriculture.
5. Shri Ramakrishnayya, Additional Development Commissioner.
6. Shri S. N. Patnaik, Director of Agriculture.
7. Shri H. K. Ghosh, Secretary Revenue.
8. Shri K. Mahapatra, Deputy Secretary, Finance.
9. Shri V. N. Patnaik, Collector, Puri District.

Punjab

1. Shri S. S. Grewal, Secretary, Cooperation.
2. Shri M. L. Batra, Registrar of Cooperative Societies.
3. Shri K. N. Narang, Secretary, Agriculture.
4. Shri P.S . Doel, Director of Agriculture.
5. Shri L. N. Fletcher, Financial Commissioner, Development.
6. Shri Lal Singh, Additional Secretary, Revenue.
7. Shri Vij, Deputy Secretary, Finance.

APPENDIX III—*concld.*

Rajasthan

1. Shri Niranjan Singh, Registrar of Coop. Societies.
2. Shri R.D. Mathur, Development Commissioner.
3. Shri Ram Singh, Joint Development Commissioner.
4. Shri R. K. Chaturvedi, Secretary Revenue.
5. Shri M. Mukerjee, Secretary, Finance.
6. Shri J. C. Kala, Director of Agriculture.
7. Shri Mathur, Deputy Secretary, Agriculture.

Uttar Pradesh

1. Shri Satish Chandra. Development Commissioner.
2. Shri M. C. Sharma, Secretary, Cooperation.
3. Shri Iftikar Hussain, Registrar of Coop. Societies.
4. Shri S. Dikshit, Additional Development Commissioner.
5. Shri G. P. Seth, Deputy Cane Commissioner.
6. Shri Dashrath Singh, Secretary, Revenue.
7. Shri S. N. Nigam, Secretary, Board of Revenue.
8. Shri H. A. Siddiqui, Commissioner & Secretary, Agriculture.
9. Shri R. B. Agarwal, Director of Agriculture.
10. Shri Dave, Joint Secretary, Finance.
11. Shri S. S. Hussain, Member, Board of Revenue.
12. Shri J. B. Tandon, Commissioner, Varanasi Division.
13. Shri L. M. Bhatia, Collector, Varanasi District.

West Bengal

1. Shri J. C. Talukdar, Secretary, Cooperation.
2. Shri S. Dutt, Registrar of Co-operative Societies.
3. Shri Bannerjee, Secretary, Finance.
4. Shri Roy, Development Commissioner.
5. Dr. Nandi, Director of Agriculture.
6. Shri C.C. Bose, Deputy Secretary, Agriculture.
7. Shri N. C. Roy, Joint Director, Agriculture.
8. Shri Bandhan, Director of Agriculture.
9. Shri J. Mukherjee, Secretary, Board of Revenue.

II. NON-OFFICIALS

1. Shri V. L. Mehta.
2. Shri R. G. Saraiya.
3. Prof. D.G. Karve.
4. Shri V.C. Parashar, General Secretary, National Cooperative Union of India.
5. Late Shri B. S. Hiray, Chairman, Maharashtra State Land Mortgage Bank and Vice Chairman, Maharashtra State Cooperative Bank.
6. Shri Tackur, Ex-Managing Director, Maharashtra State Cooperative Land Mortgage Bank.
7. Shri M. B. Patel, Chairman, Central Cooperative Bank, Ahmedabad.
8. Shri M. L. Shah, Chairman, Gujarat State Cooperative Union.
9. Shri R. L. Maniar, Chairman, District Cooperative Bank, Mehsana District and member, State Co-operative Advisory Council.
10. Shri B. J. Patel, Baroda.
11. Shri M. C. Phukkan, Managing Director, Assam State Cooperative Bank.
12. Shri Dashrath Rama Reddy, Chairman, Andhra State Cooperative Bank.
13. Shri A. B. Das, Chairman, Orissa State Cooperative Bank.
14. Shri B. Naik, Orissa State Cooperative Land Mortgage Bank.
15. Shri C. B. Gupta, Chief Minister, Uttar Pradesh.
16. Shri Chaturbhuj Sharma, Minister for Cooperation, U.P.
17. Shri Charan Singh, Minister for Agriculture U.P.
18. Shri Viswanath Puri, Managing Director, Punjab State Cooperative Marketing Federation.
19. Shri Sucha Singh Managing Director, Rupar Central Cooperative Bank.
20. Shri Ram Singh, Manager, Rupar Central Coop. Bank.
21. Shri Darbara Singh, Minister in charge of Cooperation, Punjab.
22. Shri Ajmer Singh, Minister, Revenue, Punjab.
23. Shri Pratap Singh Karion, Chief Minister, Punjab.
24. Shri R. G. Tiwari, Honorary Secretary, Bilaspur Central Coop. Bank.
25. Shri R. K. Seth, Honorary Vice President, U.P. Federation.
26. Shri Chaturvedi Honorary Vice President, U.P. Federation.
27. Shri J. P. Rawat, Chairman, U.P. State Cooperative Land Mortgage Bank.

APPENDIX IV

LIST OF INSTITUTIONS VISITED

Andhra Pradesh

1. Hyderabad State Cooperative Apex Bank.
2. Andhra Central Cooperative Land Mortgage Bank.
3. Hyderabad Central Cooperative Land Mortgage Bank
4. All India Central Land Mortgage Banks Cooperative Union.

Bihar

1. Bihar State Cooperative Bank.
2. Bihar State Cooperative Land Mortgage Bank.
3. Isapore Multipurpose Cooperative Society.

Gujarat

1. Gujarat State Cooperative Bank.
2. Gujarat State Cooperative Land Mortgage Bank.
3. Primary Cooperative Land Mortgage Bank, Baroda.
4. Rajkot branch of the Gujarat State Cooperative Land Mortgage Bank.

Jammu and Kashmir

1. Jammu Central Cooperative Bank.
2. Kotli Arjun Singh Multi-purpose Cooperative Bank.
3. Chak Mohammadayar Cooperative Society.

Kerala

1. Kerala State Cooperative Bank.
2. Kerala State Cooperative Land Mortgage Bank.

Madhya Pradesh

1. Madhya Pradesh State Cooperative Bank.
2. Madhya Pradesh State Cooperative Land Mortgage Bank.
3. Majermuha Village Service Cooperative Society (Jabalpur District).
4. Dasrangpur Cooperative Credit Society (Khandwa District).
5. Raipur Central Cooperative Bank.
6. Khursenga Village Service Cooperative Society.
7. Kurd Cooperative Marketing Society.

Madras

1. Madras State Cooperative Bank.
2. Madras State Cooperative Land Mortgage Bank.
3. Kancheepuram Central Cooperative Bank.
4. Chinnaupulipakkam Cooperative Credit Society, Chingleput District.

Maharashtra

1. Maharashtra State Cooperative Bank.
2. Maharashtra State Cooperative Land Mortgage Bank.
3. Primary Cooperative Land Mortgage Bank, Dhulia.

Mysore

1. Mysore State Cooperative Bank.
2. Mysore State Cooperative Land Mortgage Bank.

Punjab

1. Amritsar Central Cooperative Bank.
2. Punjab State Cooperative Bank.
3. Punjab State Cooperative Land Mortgage Bank.
4. Sherpur Sahakari Samiti.

Rajasthan

1. Rajasthan State Cooperative Bank.
2. Rajasthan State Cooperative Land Mortgage Bank.
3. Bhateri Gram Seva Sahakari Samiti.
4. Panchayati Samiti Adhyan Kendra, Jaipur.

Uttar Pradesh

1. Central Cooperative Bank, Mohanlalganj.
2. Uttar Pradesh State Cooperative Bank.
3. Uttar Pradesh State Cooperative Central Land Mortgage Bank.

West Bengal

1. West Bengal Provincial Cooperative Bank.
2. West Bengal Cooperative Central Land Mortgage Bank.

APPENDIX V

PROGRESS OF STATE COOPERATIVE BANKS

(Rs. in Lakhs)

State	Paid up Share Capital			Statutory and other reserves		
	1950-51	1955-56	1960-61	1950-51	1955-56	1960-61
1	2	3	4	5	6	7
Andhra Pradesh ..	7·00	35·00	172·00	10·00	42·00	62·00
Assam	2·00	15·00	39·00	1·00	13·00	22·00
Bihar	4·00	44·00	45·00	15·00	17·00	17·00
Gujarat	..	29·70	154·00	..	0·37	29·00
J. & Kashmir	..	10·40	19·00	..	2·72	1·00
Kerala	..	9·85	39·00	..	1·07	5·00
Madhya Pradesh ..	0·07	24·83	119·00	0·08	10·85	28·00
Madras	6·00	14·00	219·00	25·00	37·00	49·00
Maharashtra	49·00	61·00	326·00	37·00	56·00	99·00
Mysore	4·00	11·00	124·00	6·00	6·0	21·00
Orissa	4·60	6·08	23·00	0·83	2·90	11·00
Punjab	2·00	38·00	83·00	..	3·00	13·00
Rajasthan	1·00	11·07	89·00	4·08	5·36	7·00
Uttar Pradesh ..	32·00	59·00	271·00	8·00	22·00	65·00
West Bengal	24·00	32·00	65·00	69·00	81·00	135·00
U. Territories	..	..	38·00	..	..	12·00
Total (Including U.Ts.) ..	158·00	437·00	1,825·00	223·00	328·00	576·00

(Rs. in lakhs)

State	Owned funds			Deposits		
	1950-51	1955-56	1960-61	1950-51	1955-56	1960-61
	8	9	10	11	12	13
Andhra Pradesh ..	17·00	77·00	234·00	79·00	220·00	280·00
Assam	3·00	28·00	61·00	24·00	178·00	466·00
Bihar	19·00	61·00	62·00	70·00	128·00	311·00
Gujarat	..	30·07	183·00	..	86·22	609·00
J. & Kashmir ..	..	13·12	20·00	..	5·45	30·00
Kerala	..	10·92	44·00	..	30·44	82·00
Madhya Pradesh ..	0·15	35·68	147·00	0·01	112·54	258·00
Madras	31·00	51·00	268·00	411·00	497·00	693·00
Maharashtra	86·00	117·00	425·00	809·00	1,286·00	2,153·00
Mysore	10·00	17·00	145·00	48·00	42·00	368·00
Orissa	5·43	8·98	34·00	15·30	69·06	165·00
Punjab	2·00	41·00	96·00	46·00	77·00	249·00
Rajasthan	5·08	16·43	96·00	11·82	24·15	77·00
Uttar Pradesh ..	40·00	81·00	336·00	280·00	344·00	1,033·00
West Bengal	93·00	113·00	200·00	151·00	216·00	367·00
U. Territories	..	..	50·00	..	..	177·00
Total (including U.Ts.) ..	380·00	765·00	2,401·00	2,208·00	3,667·00	7,318·00

NOTE—(i) Comparable figures are not availabe because of reorganisation of states for 1950-51 &1955-56 the national Totals have been taken from the Statistical Statements of Reserve Bank of India.

APPENDIX V—*contd.*

(Rs. in lakhs)

State	Borrowings			Working Capital		
	1950-51	1955-56	1960-61	1950-51	1955-56	1960-61
	14	15	16	17	18	19
Andhra Pradesh ..	28·00	507·00	1,709·00	125·00	803·00	2,223·00
Assam	45·00	47·00	57·00	72·00	253·00	584·00
Bihar	77·00	107·00	41·00	166·00	296·00	415·00
Gujarat	..	104·32	1,202·00	..	220·61	1,994·00
J & Kashmir	..	9·99	100·00	..	28·57	150·00
Kerala	..	1·82	153·00	..	43·18	280·00
Madhya Pradesh ..	..	175·31	979·00	0·16	323·53	1,384·00
Madras	353·00	289·00	1,751·00	795·00	837·00	2,711·00
Maharashtra	143·00	58·00	2,608·00	1,038·00	1,462·00	5,186·00
Mysore	5·00	49·00	909·00	62·00	108·00	1,422·00
Orissa	33·10	42·92	130·00	53·83	120·96	329·00
Punjab	11·00	215·00	610·00	58·00	333·00	955·00
Rajasthan	1·01	29·99	498·00	17·90	70·56	670·00
Uttar Pradesh ..	10·00	143·00	1,431·00	330·00	568·00	2,800·00
West Bengal	121·00	81·00	231·00	365·00	410·00	798·00
Union Territories ..	..	..	35·00	..	..	262·00
Total (including U. Ts.)	854·00	1,902·00	12,444·00	3,442·00	6,334·00	22,163·00

NOTE—Comparable figures are not available because of reorganisation of states.

(Rs. in lakhs)

State	Loans issued			Loans outstanding		
	1950-51	1955-56	1960-61	1950-51	1955-56	1960-61
	20	21	22	23	24	25
Andhra Pradesh ..	303·00	1,700·00	3,580·00	75·00	653·00	1,964·00
Assam	..	297·00	1,011·00	50·00	184·00	402·00
Bihar	14·00	99·00	226·000	12·00	78·00	166·00
Gujarat	..	209·43	2,780·00	..	146·22	1,465·00
J & Kashmir	..	58·49	212·00	..	18·19	99·00
Kerala	..	30·85	286·00	..	21·66	206·00
Madhya Pradesh ..	0·08	21·26	1,513·00	0·08	244·04	1,158·00
Madras	400·00	448·00	2,129·00	273·00	398·00	2,219·00
Maharashtra	1,551·00	1,639·00	7,852·00	522·00	612·00	3,742·00
Mysore	30·00	161·00	1,580·00	41·00	70·00	1,122·00
Orissa	126·47	78·10	225·00	43·62	81·67	244·00
Punjab	15·00	312·00	801·00	24·00	266·00	698·00
Rajasthan	24·49	45·82	597·00	9·85	41·01	584·00
Uttar Pradesh ..	871·00	518·00	2,465·00	161·00	199·00	1,992·00
West Bengal	28·00	112·00	295·00	172·00	233·00	418·00
Union Territories ..	..	..	270·00	..	..	188·00
Total (including U. Ts.)	4,213·00	6,786·00	25,822·00	1,790·00	3,477·00	16,667·00

NOTE—(1) The national totals have been taken from the statistical statements of Reserve Bank of India.

(2) Comparable figures are not available for 1950-51 & 1955-56 in respect of the states affected by re-organisation.

APPENDIX V—*concld.*

(Rs. in lakhs)

State	Loans overdue			%of over dues to outstandings		
	1950-51	1955-56	1960-61	1950-51	1955-56	1960-61
	26	27	28	29	30	31
Andhra Pradesh ..	1·00	21·00	75·00	2	3	3·8
Assam	..	11·00	146·00	..	6	36·4
Bihar	1·00	29·00	35·00	5	37	21·00
Gujarat	..	9·74	2·00	..	7	0·2
J & Kashmir	..	2·33	11·00	..	13	11·4
Kerala	..	2·86	3·00	..	13·2	1·4
Madhya Pradesh ..	0·08	0·05	13·00	100	..	1·1
Madras	..	..	1·00	..	..	0·05
Maharashtra	32·00	76·00	84·00	6	12	2·2
Mysore	7·00	6·00	9·00	18	9	0·8
Orissa	..	1·79	..	..	2	..
Punjab	..	7·00	4·00	..	3	0·6
Rajasthan	0·68	5·40	13·00	7	13	2·2
Uttar Pradesh ..	..	24·00	57·00	..	12	2·9
West Bengal	162·00	156·00	188·00	95	67	45·1
Union Territories ..	..	..	55·00	..	..	29·0
Total (including U. Ts.)	215·00	370·00	696·00	12	11	4·2

NOTE—(1) The national totals have been taken from the statistical statements of Reserve Bank of India.

(2) Comparable figures are not available for 1950-51 & 1955-56 in respect of the states affected by re-organisation.

APPENDIX VI

PROGRESS OF CENTRAL COOPERATIVE BANKS

(Rs. in lakhs)

States	Paid up share capital			Statutory and other reserves		
	1950-51	1955-56	1960-61	1950-51	1955-56	1960-61
1	2	3	4	5	6	7
Andhra Pradesh ..	67·00	103·00	390·00	48·00	176·00	156·00
Assam	1·15	2·13	33·00	3·06	2·09	3·00
Bihar	8·00	11·00	75·00	4·00	12·00	27·00
Gujarat	36·00	63·00	442·00	36·00	60·00	134·00
Jammu & Kashmir ..	..	3·23	8·00	..	4·68	4·00
Kerala	11·00	14·00	78·00	7·00	10·00	15·00
Madhya Pradesh ..	25·00	70·00	305·00	45·00	65·00	136·00
Madras	61·00	83·00	367·00	47·00	70·00	129·00
Maharashtra	43·00	122·00	658·00	60·00	92·00	169·00
Mysore	..	..	341·00	..	..	65·00
Orissa	15·00	34·00	92·00	17·00	27·00	31·00
Punjab	24·00	70·00	186·00	79·00	93·00	121·00
Rajasthan	4·00	17·00	154·00	9·00	13·00	21·00
Uttar Pradesh ..	49·00	119·00	689·00	31·00	46·00	94·00
West Bengal	16·00	30·00	69·00	33·00	36·00	58·00
Total ..	404·00	850·00	3,887·00	479·00	665·00	1163·00

(Rs. in lakhs)

State	Owned funds			Deposits		
	1950-51	1955-56	1960-61	1950-51	1955-56	1960-61
	8	9	10	11	12	13
Andhra Pradesh ..	115·00	179·00	546·00	378·00	561·00	652·00
Assam	4·21	4·22	36·00	4·81	1·80	4·00
Bihar	12·00	23·00	102·00	25·00	38·00	171·00
Gujarat	72·00	123·00	576·00	425·00	938·00	1,934·00
Jammu & Kashmir ..	..	7·91	12·00	..	8·36	31·00
Kerala	18·00	24·00	93·00	185·00	157·00	253·00
Madhya Pradesh ..	70·00	135·00	441·00	216·00	371·00	831·00
Madras	108·00	153·00	496·00	604·00	688·00	1,012·00
Maharashtra	103·00	214·00	827·00	521·00	845·00	2,658·00
Mysore	..	..	406·00	..	..	1,031·00
Orissa	32·00	61·00	123·00	61·00	128·00	283·00
Punjab	103·00	163·00	307·00	513·00	636·00	940·00
Rajashthan	13·00	30·00	175·00	50·00	82·00	279·00
Uttar Pradesh ..	80·00	165·00	783·00	213·00	401·00	876·00
West Bengal	49·00	66·00	127·00	126·00	145·00	191·00
Total ..	883·00	1,515·00	5,050·00	3,779·00	5,571·00	11,146·00

APPENDIX VI—*contd.*

(Rs. in lakhs)

State	Borrowings 1950-51	Borrowings 1955-56	Borrowings 1960-61	Working capital 1950-51	Working capital 1955-56	Working capital 1960-61
	14	15	16	17	18	19
Andhra Pradesh ..	307·00	550·00	1,862·00	799·00	1,290·00	3,060·00
Assam	0·55	25·71	223·00	9·58	31·73	263·00
Bihar	9·00	76·00	166·00	47·00	138·00	439·00
Gujarat	32·00	26·00	1,332·00	529·00	3,087·00	3,842·00
Jammu & Kashmir ..	..	8·16	77·00	..	24·43	120·00
Kerala	1·00	3·00	198·00	205·00	184·00	545·00
Madhya Pradesh ..	29·00	206·00	1,128·00	315·00	712·00	2,400·00
Madras	303·00	385·00	2,089·00	1,015·00	1226·00	3,597·00
Maharashtra	101·00	255·00	2,476·00	725·00	1,314·00	5,961·00
Mysore	..	..	1,143·00	..	..	2,580·00
Orissa	39·00	107·00	254·00	132·00	296·00	660·00
Punjab	66·00	319·00	730·00	682·00	1,118·00	1,976·00
Rajasthan	14·00	42·00	594·00	77·00	154·00	1,048·00
Uttar Pradesh ..	9·00	63·00	1,551·00	302·00	629·00	3,210·00
West Bengal	19·00	59·00	254·00	195·00	270·00	572·00
Total ..	975·00	2,180·00	14077·00	5,637·00	9,267·00	30,273·00

(Rs. in lakhs)

State	Loans issued 1950-51	Loans issued 1955-56	Loans issued 1960-61	Loans outstanding 1950-51	Loans outstanding 1955-56	Loans outstanding 1960-61
	20	21	22	23	24	25
Andhra Pradesh ..	1,014·00	1,449·00	3,058·00	659·00	1,004·00	2,512·00
Assam	0·86	25·57	58·00	4·62	26·70	218·00
Bihar	9·00	78·00	231·00	17·00	98·00	278·00
Gujarat	905·00	1,133·00	6,063·00	226·00	328·00	2,451·00
Jammu & Kashmir ..	..	25·99	88·00	..	19·84	88·00
Kerala	216·00	80·00	664·00	83·00	81·00	410·00
Madhya Pradesh ..	403·00	699·00	2,149·00	209·00	485·00	1,823·00
Madras	1,144·00	919·00	4,488·00	644·00	776·00	3,055·00
Maharashtra	779·00	1,348·00	9,471·00	392·00	793·00	4,361·00
Mysore	..	..	3,350·00	..	..	1,915·00
Orissa	104·00	159·00	361·00	90·00	206·00	507·00
Punjab	184·00	517·00	1,232·00	354·00	520·00	1,145·00
Rajasthan	136·00	134·00	736·00	45·00	90·00	719·00
Uttar Pradesh	314·00	610·00	2,924·00	191·00	423·00	2,136·00
West Bengal	60·00	126·00	385·00	64·00	120·00	342·00
Total ..	8,284·00	7,983·00	35,258·00	3,414·00	5,434·00	21,960·00

NOTE—(*i*) The national totals have been taken from the statistical statements of Reserve Bank of India.

(*ii*) Comparable figures are not available for 1950-51 and 1955-56 in respect of the states affected by re-organisation.

APPENDIX VI—*concld.*

(Rs. in lakhs)

State		Loans overdue			Percentage of overdues to outstandings		
		1950-51	1955-56	1960-61	1950-51	1955-56	1960-61
		26	27	28	29	30	31
Andhra Pradesh	..	54·00	102·00	300·00	8	10	12
Assam ..	..	0·65	4·39	157·00	14	16	72
Bihar ..	..	4·00	41·00	103·00	20	41	37
Gujarat ..	..	..	52·00	286·00	..	16	12
Jammu & Kashmir	..	..	5·45	38·00	..	27	43
Kerala ..	..	1·00	8·00	27·00	1·8	9·8	6
Madhya Pradesh	..	42·00	63·00	220·00	20	13	12
Madras ..	..	53·00	61·00	32·00	8	8	1
Maharashtra ..	..	..	199·00	460·00	..	25	11
Mysore ..	..	..	..	405·00	..	..	21
Orissa ..	..	14·00	31·00	62·00	16	15	12
Punjab ..	..	17·00	57·00	215·00	5	11	19
Rajasthan ..	..	4·00	20·00	188·00	10	22	26
Uttar Pradesh	..	24·00	63·00	154·00	13	15	7
West Bengal ..	..	35·00	46·00	100·00	55	38	29
Total	..	296·00	788·00	2,747·00	9	15	13

NOTE—(*i*) The national totals have been taken from the statistical statements of Reserve Bank of India.

(*ii*) Comparable figures are not available for 1950-51 and 1955-56 in respect of the states affected by re-organisation.

APPENDIX VII

CREDIT OPERATIONS OF PRIMARY AGRICULTURAL CREDIT SOCIETIES

(Rs. in lakhs)

State	Loans advanced			Loans outstanding		
	1950-51	1955-56	1960-61	1950-51	1955-56	1960-61
1	2	3	4	5	6	7
Andhra Pradesh ..	286·00	635·00	1,895·00	310·00	683·00	2,144·00
Assam	0·75	30·89	42·00	4·46	32·44	199·00
Bihar	8·00	54·00	182·00	20·00	92·00	255·00
Gujarat	157·00	576·0	2,359·00	146·00	502·00	2,522·00
Jammu & Kashmir ..	0·91	30·77	108·00	18·22	20·13	113·00
Kerala	48·00	134·00	509·00	55·00	122·00	514·00
Madhya Pradesh ..	112·00	382·00	1,787·00	177·00	456·00	1,877·00
Madras	304·00	468·00	2,436·00	440·00	664·00	2,532·00
Maharashtra	539·00	972·00	4,036·00	562·00	1,258·00	4,296·00
Mysore	..	..	1,415·00	..	..	1,607·00
Orissa	44·89	137·13	256·00	78·19	198·46	411·00
Punjab	156·00	427·00	1,176·00	254·00	633·00	1,616·00
Rajasthan	18·27	85·03	565·00	30·51	94·17	634·00
Uttar Pradesh ..	228·00	558·00	3,098·00	261·00	598·00	2574·00
West Bengal	33·26	143·99	327·00	64·46	141·79	378·00
Union Territories ..	..	..	83·00	..	..	127·00
Total (including UTs) ..	2,290·00	4,962·00	20,274·00	2,913·00	5,984·00	21,799·00

(Rs. in lakhs)

State	Loans overdue			Percentage of overdues to outstanding		
	1950-51	1955-56	1960-61	1950-51	1955-56	1960-61
	8	9	10	11	12	13
Andhra Pradesh ..	119·00	142·00	367·00	38	21	17
Assam	2·08	5·05	152·00	47	16	76
Bihar	8·00	45·00	115·00	40	49	45
Gujarat	26·00	63·00	560·00	18	13	22
Jammu & Kashmir ..	9·93	1·60	24·00	55	7·9	21
Kerala	15·00	18·00	85·00	28	15	17
Madhya Pradesh ..	47·00	83·00	336·00	27	18	18
Madras	81·00	115·00	305·00	19	17	12
Maharashtra	..	451·00	865·00	..	36	20
Mysore	..	..	547·00	..	..	34
Orissa	22·14	50·05	82·00	28	25	20
Punjab	49·00	139·00	416·00	19	22	26
Rajasthan	7·14	16·21	194·00	23	17	31
Uttar Pradesh ..	43·00	108·00	236·00	17	18	9
West Bengal	36·86	50·64	124·00	57	36	33
Union Territories ..	..	..	26·00	..	..	20
Total (including UTs) ..	638·00	1,496·00	4,434·00	22	25	20

NOTE—(*i*) The national totals have been taken from the statistical statements of Reserve Bank of India.

(*ii*) Comparable figures are not available for 1950-51 and 1955-56 in respect of the states affected by re-organisation.

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